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Financial reports and audited financial statements, and reports of the Board of Auditors

Second report on the implementation of the recommendations of the Board of Auditors on the United Nations funds and programmes for the biennium ended 31 December 1999[1]

Report of the Secretary-General

Addendum

I. Introduction

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the executive heads of the United Nations funds and programmes, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of the organizations and programmes, namely the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the United Nations International Drug Control Programme (UNDCP), the United Nations Office for Project Services (UNOPS), the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its report for the period ended 31 December 1999.

II. Replies from United Nations organizations and programmes

A. International Trade Centre UNCTAD/WTO

3. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report

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on the accounts of ITC for the biennium ended 31 December 1999[2] are set out below.

4. **In paragraph 11 (a), the Board recommended that ITC ensure that the liabilities for end-of-service benefits, post-retirement benefits and annual leave are disclosed in the financial statements for the biennium 2000-2001.**

5. As was stated in the first report (A/55/380/Add.1), ITC did not apply the United Nations accounting standard 57 on the disclosure of liabilities for end-of-service benefits, post-retirement benefits and annual leave in the financial statements 1998-1999, owing to limited time in assessing the value of such liabilities. The United Nations Secretariat has provided some information on the methodology used for valuation of such benefit and the organization will continue to liaise with the Secretariat to take advantage of any cost savings that may arise in joining the Secretariat in such valuations. This requirement will be reflected in the financial statements for the biennium 2000-2001.

6. The responsibility for implementing this recommendation lies with the Chief of the Financial Management Section, Division of Administration.

7. **In paragraph 11 (b), the Board recommended that ITC liaise with the United Nations Controller to review the accounting treatment of amounts relating to future financial periods.**

8. ITC follows the general practices applied by the United Nations in its financial reporting and continues to be in regular consultations with the United Nations Accounts Division, on the accounting treatment of deferred charges and deferred income for financial reporting, following the auditors' recommendations. The organization is in full compliance with the United Nations accounting standards on this particular issue. However, as soon as United Nations Headquarters has approved the revised standards and issued instructions thereon, ITC will apply them.

9. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

10. **In paragraph 11 (c), the Board recommended that ITC liaise closely with the United Nations Office at Geneva to ensure that the Integrated Management Information System (IMIS) module required to address the Centre's specific reporting requirements is developed and implemented as soon as possible.**

11. ITC has addressed its concerns regarding IMIS implementation in the ITC context to the United Nations Controller, who has agreed to ITC continuing to use the legacy accounts and payroll systems until technical issues can be resolved. The most important outstanding issue concerns the ITC special requirement to maintain its regular budget accounts in both Swiss francs and United States dollars. A separate and unrelated issue is the need for funds sufficiency checking for technical cooperation projects. ITC will continue the extensive efforts that have already been made to achieve an appropriate and cost-effective long-term solution.

12. The responsibility for implementing this recommendation lies with the Chief of the Financial Management Section, Division of Administration.

13. **In paragraph 11 (d), the Board recommended that ITC strengthen its efforts to secure donor contributions to support the full Joint Integrated Technical Assistance Programme and seek the Steering Group's approval to increase the level of funding for Window 1 (a general pool of monies that can be used for preparatory and generic activities) in order to provide more flexibility.**

14. ITC, the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization continue to actively pursue donor support for the Joint Integrated Technical Assistance Programme.

15. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

16. **In paragraph 11 (e), the Board recommended that ITC take concerted action to ensure that the Corporate Management Information System is kept up to date so that it can be used as an effective management tool.**

17. Based on the recommendations of an ad hoc focus group on the corporate management information system, ITC senior management decided in November 2000 that selected modules of the system should be pursued on a priority and systematic basis. Based on the lessons which will be learned from the operation of these components, a decision will be made in due course as to whether they should be amended or

expanded and whether the other Corporate Management Information System modules should be reactivated. Detailed guidelines for data maintenance and updating by all concerned staff are being prepared. Compliance with those guidelines will be regularly monitored as well as the level and appropriateness of the system's use.

18. The responsibility for implementing this recommendation and for relevant reporting to the ITC senior management for decisions lies with the Senior Programme Development and Coordination Officer, Office of the Executive Director.

19. **In paragraph 31, the Board recommended that future Joint Integrated Technical Assistance Programme project documents classify activities on a cluster basis within the country context.**

20. As indicated in the first report (A/55/380/Add.1), the accounts system for programme delivery tracking for the Technical Assistance Programme has been modified and now enables the reporting of expenditures by cluster. The new financial reporting system by cluster has already been tested and implemented.

21. The responsibility for the implementation of this recommendation was with the Chief, Programme Resources Section, Office of the Executive Director.

22. **In paragraph 44, the Board recommended that ITC ensure that realistic timetables are agreed with national bodies for those activities to be delivered by them and that ITC monitor progress to ensure that the timetables are met.**

23. ITC and Programme partners continue to work to enhance communications and understanding of Programme requirements needed to establish and maintain realistic, but ambitious, delivery timetables.

24. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

25. **In paragraph 47, the Board recommended that ITC, in cooperation with its partner organizations, should determine the most effective ways of involving national participants at an early stage in the preparation of project documents and work plans.**

26. National participants were involved quite early in the preparation and review of reports on needs resulting from initial Joint Integrated Technical Assistance Programme missions. These reports became the basis for project design. Based on the experience of the Programme, however, a more extensive interaction with and involvement of national, trade-related stakeholders would be envisaged in the needs assessment, design and implementation planning for any Programme expansion. More generally, within ITC, the matter was addressed with the issuance of the "road map" for needs assessments and programme design, which were issued in March 2000.[3] A training session on the implementation of the "road map" took place in September-October 2000. Compliance with the guidelines is being monitored on a regular basis.

27. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

28. **In paragraph 48, the Board recommended that, to minimize the need for remedial measures in future, ITC undertake more extensive country-specific risk analysis before projects begin.**

29. ITC appreciates the Board's noting the Centre's rapid response and active management approach to correcting the ensuing problems and agrees that distinctions on budgetary and institutional capacity should have been made clear initially, between Côte d'Ivoire and Kenya, on the one hand, and the least developed countries and Ghana, on the other. This and other risk analysis will be done for each country at the outset in any expansion of the Joint Integrated Technical Assistance Programme and, more generally, in all new ITC projects foreseen in the "road map".

30. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

Status of implementation of the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997[4]

31. **In paragraph 10 (a), the Board recommended that ITC, in liaison with United Nations Headquarters, review the accounting treatment of deferred charges and deferred income to ensure that it is consistent with best accounting practice.**

32. ITC will comply with the revised instructions from United Nations Headquarters regarding the

treatment of deferred charges and deferred income when approved by the Consultative Committee on Administrative Questions Working Party on United Nations accounting standards.

33. The responsibility for implementing this recommendation lies with the Chief of the Financial Management Section, Division of Administration.

34. **In paragraph 10 (e), the Board recommended that ITC develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of the Centre's impact.**

35. The matter is currently being addressed in a comprehensive manner within the framework of the change management initiative. Towards the end of the second half of 2001, ITC is expected to complete the review of its medium-term planning and it is expected that several indicators will be established, including the prior definition of organizational goals, strategic principles, programme-specific objectives, dedicated strategies and related indicators of achievement, in addition to the objectives that are already specified in individual projects. The results-based management that ITC plans to establish, will consist of a combination of performance measurement at these various levels.

36. The responsibility for implementing this recommendation lies with the Senior Programme Officer and Executive Forum Coordinator, Office of the Executive Director.

37. **In paragraph 10 (g), the Board recommended that ITC improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs.**

38. The Centre's annual operations plan allows senior management to review the work plans of individual units (including the research and development components and inputs to be provided by contractors), at both the planning and implementation stages. The plan is a module of the Corporate Management Information System. Based on the recommendations of the ad hoc focus group on the Corporate Management Information System, ITC senior management decided in November 2000 that selected modules of the system, including the annual operations plan should be pursued on a priority and systematic basis. In that regard, detailed guidelines for data maintenance and updating by all concerned staff are in progress.

39. The responsibility for implementing this recommendation lies with the Chief, Programme and Resources Section, Office of the Executive Director.

B. United Nations University

40. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the United Nations University for the biennium ended 31 December 1999[5] are set out below.

41. **In paragraph 10 (a), the Board recommended that the United Nations University present in the financial statements the gains and loss on the sale of securities and equities in gross terms, instead of presenting only the net amount, in accordance with United Nations accounting standards.**

42. The recommendation has been effected in the United Nations University financial statements for the biennium 2000-2001, ended 30 June 2000.

43. The Director of Administration was responsible for the implementation of this recommendation.

44. **In paragraph 10 (b), the Board recommended that the United Nations University make provision for long outstanding unpaid pledges.**

45. The long outstanding unpaid pledges of US$ 3,044 million from France and US$ 0.759 million from Zambia were deleted from the outstanding unpaid pledges in the financial statements ended 31 December 2000.

46. The Director of Administration is responsible for implementation of this recommendation.

47. **In paragraph 10 (c), the Board recommended that the United Nations University comply with the requirement to complete performance evaluations at the termination of contracts prior to the renewal or extension of special service agreements.**

48. The administration has implemented a rigorous follow-up process, whereby performance evaluation pro forma is required upon completion of all special service agreements. The Personnel Unit at Headquarters monitors all special service agreements and, upon expiry, ensures that performance evaluations

have been completed. Where evaluations are missing, the relevant programme area is contacted and requested to submit the duly completed form.

49. The Personnel Officer is responsible for implementation of this recommendation.

50. **In paragraph 10 (d), the Board recommended that the United Nations University ensure that sufficient staff resources are secured to manage the projects.**

51. Programme heads continue to ensure that sufficient funding for necessary staff resources is included in budgets for the new projects. Once funding has been secured, recruitment of appropriate project personnel will be undertaken to ensure adequate staffing of programmes.

52. The Vice-Rectors are responsible for implementation of this recommendation.

53. **In paragraph 10 (e), the Board recommended that the United Nations University prepare in advance annual procurement plans to ensure competitive bidding for goods and services.**

54. The proposal to implement a procurement plan was extensively discussed at the management level. While the need for effective forward planning of purchases was recognized, it was decided that the fluid nature of many of the projects, which evolve as research progresses, makes concrete planning of purchases on a universal level extremely difficult. It was agreed that UNU would continue to monitor major recurring expenditure for computer items and determine if a discernible procurement pattern emerges, which would enable the University to implement effective forward planning. Consequently, a section of the Information Technology Strategic Plan specifically addresses this issue. During the year, after canvassing users' forward needs, the opportunity was taken to place a major bulk order for the computer hardware which covered expected requirements of the UNU International Courses, the Peace and Governance Programme, the Library, the Rector's office and the UNU/Institute of Advanced Studies. In developing the budget for the biennium 2002-2003, every opportunity will be taken to plan for purchases in bulk.

55. The Director of Administration is responsible for implementation of this recommendation.

56. **In paragraph 10 (f), the Board recommended that the United Nations University adhere to the procedures for tendering as laid down in the Procurement Manual for purchases under $25,000, as well as for purchases in excess of $25,000.**

57. UNU has been operating in line with the procedure followed by United Nations Headquarters, which issues "request of quotation" instead of "invitation to bid" for the procurement of goods or services exceeding $30,000, but less than $100,000. This matter will be discussed with the United Nations Secretariat as soon as possible.

58. The Director of Administration is responsible for implementation of this recommendation.

C. United Nations Development Programme

59. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNDP for the biennium ended 31 December 1999[6] are set out below.

60. **In paragraph 10 (a), the Board recommended that UNDP ensure that it regularly follows up all outstanding audit reports and concentrate its efforts on those countries where it has the greatest levels of national execution.**

61. The Office of Audit and Performance Review continues its systematic follow-up with the country offices as a matter of practice. As part of the Office efforts in exploring the reasons for non-compliance, particularly at country offices with large nationally executed project portfolios, new strategies are being developed to ensure greater compliance for the next audit period.

62. The Director of the Office of Audit and Performance Review is responsible for this recommendation.

63. **In paragraph 10 (b), the Board recommended that UNDP complete the reconciliation of the main contributions account and make the necessary adjustments to its financial records.**

64. The reconciliation was completed at the end of October 2000.

65. The Comptroller and Office of Finance and Administration, Bureau of Management, are responsible for this recommendation.

66. **In paragraph 10 (c), the Board recommended that, in projects such as UNDP 2001, UNDP prioritize activities and devise measurable indicators and milestones to allow systematic monitoring of progress.**

67. This recommendation has been implemented. The report entitled "The way forward: the Administrator's Business Plans, 2000-2003", which was endorsed by the Executive Board in January 2000, sets out the vision for a new UNDP and outlines the transformation initiatives that need to be undertaken. Building on and learning from the experiences of the 2001 change process, the Bureau of Management has established a business plan monitoring system, which captures all the transformation initiatives from the business plans, including scorecard with goals, outcomes, and indicators of success and indicative targets. The design of the scorecard has been finalized and the update will be provided by July 2001.

68. The Deputy Assistant Administrator and Director, Office of Planning, Bureau of Management, is responsible for this recommendation.

69. **In paragraph 10 (d), the Board recommended that, at the planning stage of future projects, such as UNDP 2001, UNDP cost all the proposed activities and estimate the total cost of the initiative.**

70. The above response to paragraph 10 (c) also applies to this recommendation.

71. **In paragraph 10 (e), the Board recommended that, in future projects, such as UNDP 2001, project managers be required to collect and report all available costs, and central programme managers be required to include such information in their regular status reports.**

72. The above response to paragraph 10 (c) also applies to this recommendation.

73. **In paragraph 10 (f), the Board recommended that UNDP set a clear timetable for the completion of tasks outstanding from the UNDP 2001 initiative.**

74. See paragraphs 131 and 132 below for the response to the recommendation contained in paragraph 64.

75. **In paragraph 10 (g), the Board recommended that all country offices be required to investigate the possibilities of agreeing common service contracts with other United Nations organizations, as a method of offering potential cash savings and administrative efficiencies.**

76. The recommendation is accepted. UNDP confirms that it will be actively working with the inter-agency working groups on the implementation of and management of common services contracts, including cost-effectiveness and performance measurement, starting in 2001.

77. The Chief, Administrative Services Division of Finance and Administration, Bureau of Management, is responsible for the implementation of this recommendation.

78. **In paragraph 10 (h), the Board recommended that UNDP remind line units of the need to confirm receipt of goods and services promptly.**

79. The recommendation is noted. It has always been the policy of UNDP to ensure that line managers confirm receipt of goods and services before the actual payments are approved. This is further emphasized in the revised Finance Manual, which was issued in May 2000.

80. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for this recommendation.

81. **In paragraph 10 (i), the Board recommended that UNDP establish a database of potential suppliers.**

82. As already indicated in the first status report (A/55/380/Add.1, para. ___), it may not be effective for UNDP to establish and maintain its own separate formal database. Procurement at headquarters is carried out on a somewhat limited scale and covers a narrow range of goods and services, essentially data-processing equipment, office supplies, office furniture, office equipment, printing and building-maintenance services. As such, an informal roster of potential suppliers is maintained. The divisions at headquarters undertaking procurement make use, where possible, of the United Nations supplier roster maintained by the Procurement Division of the United Nations. In addition, for a number of common items, UNDP is able to use the long-term agreements entered into by the United Nations and the United Nations Population

Fund. UNDP also has access to the United Nations Common Supply Database maintained by the Inter-Agency Procurement Services Office on behalf of the United Nations system.

83. The Chief, Administrative Services Division of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

84. **In paragraph 10 (j), the Board recommended that UNDP develop a more formal system for monitoring supplier performance.**

85. The recommendation is noted, as are the accompanying comments on good practice of monitoring. UNDP will formalize its monitoring practices to capture relevant information on supplier performance.

86. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for this recommendation.

87. **In paragraph 10 (k), the Board recommended that UNDP undertake a cost-benefit analysis to assess the savings likely to accrue from the development of a green procurement policy.**

88. The recommendation is accepted and UNDP will take action accordingly.

89. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for the implementation of this recommendation.

90. In paragraph 10 (l), the Board recommended that UNDP follow up the recommendations made in the 1998 report on energy use and environmental impacts with respect to the offices located at 304 East 45th Street (FF Building) and at 1 United Nations Plaza (DC-1 Building).

91. The recommendation is accepted. Among the measures being taken to follow up on the recommendations made in the 1998 report on the FF Building is the retrofitting of the building. The request-for-proposal process is ongoing. This comprehensive, energy-efficient retrofit will address not only equipment upgrades with control systems (air conditioning and lighting) but also managerial and maintenance issues. Implementation of the retrofit will begin during the first half of 2001. With respect to the DC-1 Building, it is important to note that it is rented by UNDP from the United Nations, which in turn rents it from the United Nations Development Corporation. As the FF Building retrofit project is the first kind undertaken by the United Nations system, a successful outcome is likely to influence the United Nations decision as to whether to undertake a similar initiative in the DC-1 Building. UNDP has already advised the United Nations of this initiative and will report on the results to the United Nations for possible replication in the DC-1 Building. In advocating this approach, UNDP will actively follow up the initiative.

92. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for the implementation of this recommendation.

93. **In paragraph 10 (m), the Board recommended that UNDP improve its monitoring of paper use across divisions, set a target for a reduction in paper use and set standards for printer and copier use, for example, ensuring that all machines default to double-sided printing.**

94. The recommendation has been implemented. All new printer acquisitions are required to have duplex capability and UNDP is standardizing printers and replacing them by energy-efficient ones. The Advisory Committee on Procurement has endorsed this.

95. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, was responsible for the implementation of this recommendation.

96. **In paragraph 10 (n), the Board recommended that at country offices, UNDP ensure that executing agencies provide quarterly reports on progress of projects and that UNDP take prompt corrective action when projects fall behind schedule.**

97. The recommendation has been noted. In the past, UNDP programming procedures required quarterly reporting by executing agencies (then primarily United Nations specialized agencies), but this requirement became burdensome and was reduced to annual reporting in the context of the annual tripartite review of projects. As the extent to which agency execution is utilized as a modality for maintaining UNDP-supported projects has become limited, it may not be efficient to change current practices. At present, the largest portion of UNDP-supported projects are under national execution. A requirement for quarterly reporting under

this modality already exists, since national execution agencies are required to report on the progress of projects in connection with requests for payments of quarterly advances of resources.

98. The Director, Operations Support Group, is responsible for the implementation of this recommendation.

99. **In paragraph 10 (o), the Board recommended that UNDP use the Financial Information Management system shadow budgeting facility to implement a more realistic planning system and control the timing of project delivery.**

100. UNDP does use the Financial Information Management System shadow-budgeting facility to manage the resources. A more realistic planning system and control to time project delivery would depend on factors beyond shadow budgeting, such as untimely delivery of goods and services ordered. However, the recommendation is accepted and UNDP is already instituting systems such as results-based management with a view to having better control of project delivery.

101. The Division for Resources Planning and Coordination, Bureau of Management, designed the Financial Information Management System shadow-budgeting facility as a critical tool to be used by programme managers for realistic programme resource planning and delivery, at both the individual project and overall programme levels. As the System is decentralized, the degree to which the shadow-budgeting facility is used ultimately depends on individual users. The Division has sent a letter to all resident representatives highlighting existing critical System functionalities. UNDP will ensure that appropriate instructions are included with respect to the shadow-budgeting facility.

102. The Director, Division for Resources Planning and Coordination, and Bureau of Management, is responsible for the implementation of this recommendation.

103. **In paragraph 10 (p), the Board recommended that UNDP ensure that all project documents and revisions contain information on the overall project budget, broken down by sub-heading, and phased over the life of the project, and on the overall project budget broken down by objective or sub-objective.**

104. Budgeting by objectives and outputs was designed in the programme support format and software. Moreover, the programming manual advocates the use of this methodology for project documents. These procedures are contained in the new programming manual, which was issued in April 2000. Project documents prepared before that date would not have benefited from the following of the procedures in the Manual.

105. The Director, Operations Support Group, is responsible for the implementation of this recommendation.

106. **In paragraph 10 (q), the Board recommended that UNDP prepare project plans only on the basis of committed funding.**

107. It is indeed UNDP policy that project documents reflect only such funds as are available within ceilings for commitments for the current planning period (financial rule 111.01 (d)) at the time of signing of the document. Country offices that do otherwise would be in violation of that policy. As part of its oversight function, UNDP will begin to monitor project budgets to ensure that the policy is followed.

108. The Director, Operations Support Group, is responsible for the implementation of this recommendation.

109. **In paragraph 10 (r), the Board recommended that UNDP ensure that all projects contain quantified and measurable performance indicators or targets and measure the progress of a project against those criteria, and ensure that country offices carry out regular monitoring and evaluation in line with UNDP guidelines.**

110. The elements of the recommendation are provided for in the Programming Manual, although older project-document evaluations may not contain them. New programming instruments are being developed and promulgated in UNDP to address delivery, results and performance through results-based management and the country office management plan. Once these instruments are in use in all countries in 2001, UNDP will have in place a system of annual reviews and results-oriented annual reports to monitor the application of the new instruments, to assess the achievements of performance indicators and to monitor and evaluate performance.

111. The Director, Operations Support Group, and the Evaluation Office are responsible for the implementation of this recommendation.

112. **In paragraph 10 (s), the Board recommended that the Office for Audit and Performance Review ensure that each member of staff receives sufficient training to ensure that the organization retains its technical competency.**

113. In general, the Office for Audit and Performance Review has ensured the training of its staff, based on its annual training plans. For 1999, IMIS, as a new corporate tool, became a training priority, which impacted on training efforts and overall training expenditure as it was conducted in-house. The Office benchmarked all staff against the results of the learning training and development exercise in 1999 and identified long-term training and development needs. While the Office had initially intended to develop individual long-term learning, training and development plans for each staff member of the Office by the end of 2000, this action has been deferred to a later date in 2001, in order to benefit from the completion of the annual appraisal exercise.

114. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

115. **In paragraph 10 (t), the Board recommended that the Office of Audit and Performance Review follow up on the control self-assessment workshop reports and, where applicable, use this information to inform its risk assessments and audit planning.**

116. The recommendation is accepted. The Office has instituted this mandatory practice in the planning of its audits. The Office has begun posting control self-assessment reports on its web site, with access only to Office staff, as part of the permanent files.

117. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

118. **In paragraph 10 (u), the Board recommended that, as a first step in each audit, and to help inform audit planning, the Office of Audit and Performance Review document the key systems and controls and keep the information on files permanently to facilitate subsequent audits.**

119. As indicated in the first status report (A/55/380/Add.1), the priority in 2001 will be to continue identifying key systems and ideally incorporating them in electronic format, subject to availability of resources. References and links will be made to the electronic corporate system document already in existence. However, for systems that do not have documentation, additional review and analysis may be continued until the end of the first half of 2001.

120. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

121. **In paragraph 10 (v), the Board recommended that the Office for Audit and Performance Review develop an internal audit manual that provides a framework for its future operations. It should support the internal audit manual with a series of comprehensive audit guidance notes to provide detailed advice for the effective performance of the audits.**

122. The recommendation is accepted. The audit manual has been completed and is now available electronically.

123. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

124. **In paragraph 41, the Board recommended that UNDP require resident representatives to certify the accuracy of the annual country office inventory returns and monitor returns to ensure that all are received. The Board also recommended that UNDP review the headquarters inventory and ensure that it provides realistic valuations for all equipment. The Board further recommended that UNDP intensify its effort to develop a suitable inventory control system.**

125. The recommendation has been fully implemented.

126. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, was responsible for the implementation of this recommendation.

127. **In paragraph 42, the Board recommended that UNDP complete the review of outstanding advances to Governments during 2000 and write off all necessary amounts.**

128. The recommendation is accepted. As part of its efforts to simplify the accounts, UNDP has commenced the review of all pending receivables, including the outstanding advances to Governments, and will proceed to the necessary write-offs by June 2001.

129. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for this recommendation.

130. **In paragraph 64, the Board recommended that UNDP clarify the status of ongoing UNDP 2001 activities, given that it has formally closed UNDP 2001 and, if appropriate, establish detailed budgets needed to fulfil them.**

131. At the formal conclusion of the UNDP 2001 initiative, on December 1999, there were five remaining activities. Four of these activities were completed at the end of 2000 and one is included in the implementation of the current business plans. Detailed work plans and budgets have been established for all five activities.

132. The Deputy Assistant Administrator and Director, Office of Planning, is responsible for the implementation of this recommendation.

133. **In paragraph 67, the Board recommended that, in a project such as UNDP 2001, UNDP (a) identify individuals responsible for implementation and (b) monitor targets periodically, in order to identify problems as early as possible and take the necessary remedial action.**

134. See paragraphs 66 and 67 above for the response to the recommendation in paragraph 10 (c).

135. **In paragraph 72, the Board recommended, and the country offices accepted, that offices should improve timetabling arrangements.**

136. The recommendation is accepted. During 1999, a major exercise was carried out to agree on dates for harmonizing programme cycles. In addition, with the introduction of the country office management plan in 2001, each country office will be required to specify its timetable for undertaking the common country assessment and the United Nations Development Assistance Framework.

137. The Director of the Operations Support Group and the assistant administrators and regional directors are responsible for the implementation of this recommendation.

138. **In paragraph 79, the Board recommended that all country offices complete job descriptions and competency statements for all posts and that they use them to develop appropriate training plans for staff.**

139. In line with phase II of the reduction exercise, the country offices are expected to reduce their budgets by 15 per cent in 2001. This will, in any case, have an effect on the organization of the office and will no doubt require the redesign of job descriptions with competency statements and relevant retraining.

140. The Learning Resources Centre of the Office of Human Resources Management supports the development of appropriate training plans to accompany both new job descriptions and the alignment of competency statements for all posts; the expertise available from the Centre is, however, limited. It is therefore the recommendation of the Centre that, in the interim, training plans should be based on recommendations contained in the existing performance appraisal of staff members.

141. The scope for creating new job description and competency statements for the posts in all the UNDP country offices is extremely wide. In the context of the current reduction exercise and the forthcoming restructuring expected of country offices, UNDP will need to determine the appropriate support for this important exercise and the level of additional resources required. It is too soon to know the exact scope of this exercise, but it will be early priority to be developed in connection with the eventual plans for the restructuring of country offices. The approximate date is end of 2001.

142. The Director, Office of Human Resources, Bureau of Management is responsible for the implementation of this recommendation.

143. **In paragraph 97, the Board recommended that UNDP benchmark its performance in the time taken to let contracts, establish timetables for each element of the procurement process and monitor performance against them.**

144. The recommendation is accepted. UNDP will establish appropriate benchmarks for the letting of contracts.

145. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for the implementation of this recommendation.

146. **In paragraph 102, the Board recommended that UNDP build on the examples of good practice and ensure that clear terms of reference are used for bids and, where possible, use standard pricing sheets to assist in the evaluation of bids.**

147. Existing procurement guidelines will be further developed, in order to disseminate information on best practices by the second half of 2001.

148. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for the implementation of this recommendation.

149. **In paragraph 106, the Board recommended that UNDP ensure that country offices submit to the Advisory Committee on Procurement all procurement actions falling outside their delegated level of authority.**

150. The recommendation is accepted. UNDP shares the concerns expressed by the Board in this regard. Through adoption of its revised procurement framework, as now manifested in the new Finance Manual (which in turn is derived from the newly adopted revised Financial Regulations and Rules approved by the Executive Board in its decision 2000/4), the limits of the authority of resident representatives to approve procurement actions have been clarified. UNDP continues to issue further detailed guidelines on procurement in order to assist country offices in adopting best procurement practices. In addition, new, more efficient ways are being sought to train procurement staff in country offices, in order to improve their ability to comply with applicable rules and procedures. The situation, however, will be monitored closely through mandatory reports of country offices on procurement activities and through regular internal auditing, where procurement will be a special focus.

151. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for the implementation of this recommendation.

152. **In paragraph 117, the Board recommended that UNDP give a higher profile to internal environmental issues. The Board also recommended that as it develops an environmental management strategy, UNDP incorporate key elements of good practice described in ISO 14001, in particular:**

(a) Approval of the environmental management strategy at the Executive Board level;

(b) Completion of environmental risk assessments;

(c) Documentation of environmental practices;

(d) Development of environmental objectives and targets, supported by measurable performance indicators to assess progress;

(e) Regular progress reports to the Executive Board;

(f) Identification of environmental training needs for staff and provision of resources to meet such needs;

(g) Internal audit or evaluation procedures covering all activities that can potentially affect the environment.

153. The recommendation for UNDP to give a higher profile to internal environmental issues is welcomed. A Swedish International Development Corporation Agency-funded assessment of how UNDP is currently incorporating environmental sustainability issues into its worldwide operations has been carried out and the draft report is being prepared. The report will outline options for how an environmental management strategy could be organized in UNDP, including most of the recommendations made by the United Nations Board of Auditors. The report will be finalized by September 2000 and the recommendation contained therein was reviewed by the Sustainable Energy and Environment Division and by the Greening UNDP Task Force for transmission of recommendations to the Executive Team for decision in early 2001, at the latest. The specific recommendations by the Auditors will be reviewed and taken into consideration in the September 2000 report.

154. The Director, Sustainable Energy and Environment Division, Bureau for Development Policy, is responsible for the implementation of this recommendation.

155. **In paragraph 118, the Board recommended that each office develop formal green policies and establish a focal point to take matters forward.**

156. The recommendation is accepted. The "green" policy of UNDP has been in place since 1995, when the publication entitled "The Green Office Initiative" was officially released. To enhance ecological effectiveness at the country level, the Bureau of

Development Policy and the Bureau of Management have worked together on the issue throughout the last year. To facilitate implementation in the country offices, UNDP will be pursuing the establishment of environment targets such as paper and energy consumption, with the country offices.

157. The Director, Sustainable Energy and Environment Division, Bureau for Development Policy, is responsible for the implementation of this recommendation.

158. **In paragraph 125, the Board recommended that UNDP develop appropriate tools and information to assist staff in their consideration of green issues at an early stage in the procurement process.**

159. The recommendation is accepted. UNDP agrees that it is extremely important for staff at headquarters and in the country offices to have access to appropriate tools and information in order to give proper consideration to environmental issues at the early stages of the procurement process. To this end, the Advisory Committee on Procurement now includes a representative of the Sustainable Energy and Environment Division. The UNDP Environment Policy Adviser and the Procurement Adviser have developed basic environmental guidelines, an overview of the key issues involved, sources of detailed and reliable information and generic recommendations on major procurement items for use by the Advisory Committee on Procurement and country offices. These guidelines and background information will be placed on the UNDP web site for easy access by UNDP staff and others.

160. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for the implementation of this recommendation.

161. **In paragraph 131, the Board recommended that country offices address energy efficiency when preparing their individual green office policies.**

162. The recommendation is accepted. To ensure consistency, UNDP is planning to issue guidelines or a checklist covering various aspects of energy conservation at the country-office level. The guidelines will be issued in the first half of 2001.

163. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementing this recommendation.

164. **In paragraph 149, the Board recommended that UNDP complete and issue the guidance on projects funded by the mentioned donor to country offices as a matter of priority.**

165. The recommendation is accepted. The Division for Resources Planning and Coordination has released draft guidelines on the donor's funded projects for the internal UNDP review, comments and approval.

166. The Director, Division of Resources Planning and Coordination, Bureau of Management, is responsible for the implementation of this recommendation.

167. **In paragraph 162, the Board recommended that the Office of Audit and Performance Review assess the qualifications needed for each audit post and draw up a strategy to ensure that those needs are met.**

168. The Office of Audit and Performance Review believes that this recommendation has already been addressed. A more detailed response was provided in the first report (A/55/380/Add.1).

169. The Director, Office of Audit and Performance Review, is responsible for the implementation of this recommendation.

170. **In paragraph 171, the Board recommended that the Office of Audit and Performance Review conduct a detailed analysis of the risks to management information and financial controls associated with the IMIS implementation and perform appropriate reviews of the system and its interfaces.**

171. The recommendation is accepted. The Office plans to undertake a detailed analysis of the risks associated with IMIS and its interfaces and will include in its 2001 audit plan a review of IMIS with a specific scope to be determined as a result of the analysis.

172. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

173. **In paragraph 174, the Board recommended that the Office of Audit and Performance Review ensure a greater coverage of the Europe and Commonwealth of Independent States region during the biennium 2000-2001, especially given the**

growth in number of these country offices in recent years.

174. The recommendation has been implemented. In order to increase the level of coverage of Europe and the Commonwealth of Independent States, the Office has already started the process of obtaining contract resources (contracts for activities of limited duration). The Office has completed the management audits of at least four country offices in that region.

175. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

176. **In paragraph 177, the Board recommended that the Office of Audit and Performance Review conduct formal, independent reviews to determine how effectively management is implementing the control self-assessment action plans.**

177. The recommendation is accepted. The control self-assessment initiative started in 1999 and is still in its early stages. The Office has undertaken a review of the control self-assessment implementation process. Currently, the control self-assessment process includes the completion of an action plan, which is required of management at the end of each control self-assessment exercise. For the results of the control self-assessment conducted in 1999, which had action plans, and those conducted in 2000, the Office will initiate a formal process, effective 2001, for identifying and following up management actions to implement the recommendations. The Office will also identify the negative impact on service delivery of these additional efforts, which are subject to overall availability of resources.

178. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

179. **In paragraph 181, the Board recommended that Office of Audit and Performance Review revise its long-term plan to take account of risk to individual systems.**

180. The recommendation is accepted. The Office has identified corporate systems and functions, which will be taken into consideration in the next long-term and annual audit plans.

181. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

182. **In paragraph 184, the Board recommended that the Office of Audit and Performance Review prepare audit programmes for all the functional and systems management audits it intends to perform, which the Office management should review prior to the commencement of the audits to ensure that the proposed coverage is complete and meets the defined audit objectives.**

183. The recommendation is accepted. The Office has begun preparing detailed audit programmes for all functional and systems audits prior to the commencement of such audits.

184. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

185. **In paragraph 186, the Board recommended that Office of Audit and Performance Review develop a system to properly identify the full costs of each output.**

186. The recommendation is accepted. The Office has developed a concept paper to consider alternate cost models. One of these will be selected and implemented as a prototype by the end of 2001. The full implementation of the activity-base costing module is anticipated in the year 2002. It should be noted however, that this exercise will require significant resources and may result in the reduction of resources available for service delivery.

187. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

188. **In paragraph 194, the Board recommended that the Office of Audit and Performance Review introduce a standard approach for conducting management reviews of working papers and providing evidence thereof.**

189. The Office believes that this recommendation has already been addressed. As a result of the quality assurance review initiated by the Office, changes were introduced in 1999 with respect to the requirements for review of working paper files, including additional documentation of the review process.

190. **In paragraph 199, the Board recommended that the Office of Audit and Performance Review review on a test basis the working papers of all its contractors to ensure that they obtain sufficient, relevant and reliable audit evidence to support their conclusions.**

191. The recommendation is accepted. Owing to concerns about service quality, the use of firms to provide contracted audits of country offices has been discontinued, except for the Asia and Pacific and Arab States regions. The working papers of the firm providing services in those regions will be reviewed on a test basis.

192. The Director, Office for Audit Performance Review, is responsible for the implementation of this recommendation.

193. **In paragraph 203, the Board recommended that UNDP re-establish the Management Review and Oversight Committee by appointing individuals to the vacant seats on the Committee.**

194. The recommendation is accepted. The Committee has been re-established and one meeting has been held.

195. The Director, Office for Audit Performance Review, was responsible for the implementation of this recommendation.

D. United Nations Children's Fund

196. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNICEF for the biennium ended 31 December 1999[7] are set out below.

197. As noted by the Board in document A/54/159 dated 2 July 1999, according to General Assembly resolution 52/212 B of 31 March 1998, the Executive Director is responsible for overseeing the implementation of audit recommendations. This responsibility is shared with the senior staff responsible for the specific areas covered in the audit recommendations.

198. **In paragraph 12 (a), the Board recommended that UNICEF should closely monitor programme implementation levels so that desired implementation benchmarks could be achieved.**

199. UNICEF has taken a number of steps to ensure the close monitoring of programme implementation levels:

(a) At the field level, country offices undertake a review programme implementation during the annual and mid-term reviews. These reviews, which are an integral and important part of the work plan of all country offices, are carried out with the corresponding national partners;

(b) Similarly, the Regional and Global Management Team also reviews the Programme implementation levels to ensure full and effective utilization of both regular and other resources, and to provide guidance for further improvements where required. In 2000, these actions have resulted in an implementation level of 87 per cent at the global level for the total programme expenditure, that is, for regular and other resources.

200. The Deputy Executive Director, Programme and Strategic Planning, is responsible for the implementation of the audit recommendation.

201. **In paragraph 12 (b), the Board recommended that UNICEF revise the mandate of the Office of Internal Audit to reflect the annual reporting to the Executive Board.**

202. In accordance with the proposal made by UNICEF to the Executive Board at its third regular session in 1997, the secretariat has regularly provided an annual report to the Executive Board on audit issues and on the activities of the Office of Internal Audit. The formal amendment to the mandate of the Office to include this reporting will be made by the end of 2001.

203. The Executive Director and the Director, Office of Internal Audit, are responsible for the implementation of the audit recommendation.

204. **In paragraph 12 (c), the Board recommended that the UNICEF Office of Internal Audit formulate policy guidelines on the preparation of the working papers in compliance with accepted internal auditing standard, and that evidence of supervisory review should be shown on working papers to confirm that they have been subject to a proper level of review.**

205. The Office of Internal Audit has revised its audit reporting format and working paper standards at the end of 2000. An audit planning, documentation,

reporting and recommendation tracking software was introduced at the beginning of 2001. The software supports the systematic presentation of working papers for each audit and the demonstration of supervisory review by the Office of Internal Audit management. Staff have been trained in the working paper standards and the use of the new software.

206. The Executive Director and the Director, Office of Internal Audit, are responsible for the implementation of the audit recommendation.

207. **In paragraph 12 (d), the Board recommended that UNICEF take expeditious action to extend the database tracking system to all regional offices and headquarters divisions to enhance the monitoring capacity for internal audit recommendations.**

208. The Office of Internal Audit has introduced a new software for audit planning, reporting and recommendation tracking in January 2001. The audit software is fully compatible with the UNICEF standard for global communication (LotusNotes). Access by all regional offices and headquarters divisions will be functional by the end of 2001, following the complete introduction of LotusNotes within UNICEF.

209. The Executive Director and the Director, Office of Internal Audit, are responsible for the implementation of this audit recommendation.

210. **In paragraph 12 (e), the Board recommended that the Americas and Caribbean Regional Office ensure that the integrated monitoring and evaluation plan is implemented in the remaining 23 country offices, in order to enhance monitoring and evaluation of programmes in the region.**

211. The integrated monitoring and evaluation plan will be discussed in the programme budget review in May 2001, and a regional workshop specifically for the 19 countries that have not implemented the plan will be held in June and July 2001. The Regional Office, which will be participating in these meetings, will ensure that these countries fully implement the plan, and it is the goal of the Americas and Caribbean Regional Office to have all 23 countries fully implement it by the end of 2001.

212. The Regional Director, America and Caribbean Regional Office, was responsible for the implementation of the audit recommendation.

213. **In paragraph 19 (a), the Board recommended that UNICEF improve its working capital management, in order to attain the accepted liquidity standard.**

214. UNICEF continuously assesses its working capital management in the light of the Board of Auditors' recommendation.

215. The UNICEF Comptroller is responsible for the implementation of the audit recommendation.

216. **In paragraph 19 (b), the Board recommended that UNICEF disclose separately convertible cash balances for general resources and supplementary funds in the notes to the financial statements to facilitate the determination of liquidity position in accordance with UNICEF policy.**

217. UNICEF will take action on the issue of separate disclosure of convertible balances of regular resources (general resources) and other resources (supplementary funds and emergency relief/rehabilitation) in the notes to the financial statements when preparing the financial statements for the biennium 2000-2001.

218. The UNICEF Comptroller is responsible for the implementation of the audit recommendation.

219. **In paragraph 38, the Board recommended that UNICEF develop non-financial performance indicators as a basis for assessing its programme performance.**

220. Country offices have set out a range of non-financial indicators through their annual management plans. These include the defining of programme objectives, the strategies to reach those objectives, the inputs necessary to carry out the activities that will attain the objectives, and a monitoring system where indicators are used to measure the results achieved. These non-financial indicators are monitored throughout the year. Furthermore, performance against these indicators is reviewed at both the country level, through annual management reviews, and the regional level, through the Regional Management Team meetings.

221. In addition, the new medium-term strategic plan, currently being developed, aims to have a core set of specific indicators to measure results for which UNICEF can be substantially accountable. It is expected that these indicators will be introduced in a number of country programmes developed in the

medium-term strategic plan framework for the period 2002-2005, which starts in 2002.

222. Furthermore, the introduction of the revised Programme Information Database, effective January 2001, will significantly improve UNICEF capacity to report on programme expenditures and, together with other performance indicators, will provide a better capacity to assess results.

223. The Deputy Executive Director, Programme and Strategic Planning, is responsible for the implementation of the audit recommendation.

224. **In paragraph 57, the Board recommended that UNICEF consider including a representative from another United Nations organization on its Internal Audit Committee.**

225. The administration is considering the addition of representation from another United Nations organization on its Audit Committee. UNICEF has commissioned the Institute of Internal Auditors to conduct a quality assurance review of the audit function from 22 October to 2 November 2001. The review will include consideration of the role and membership of the UNICEF Audit Committee, and the secretariat will carefully review the observations and recommendations resulting from the review in addressing the subject.

226. The Executive Director is responsible for the implementation of the audit recommendation.

227. **In paragraph 80, the Board recommended that UNICEF establish a roster to guide its selection of consultants for its Supply Division, and that the Supply Division fully comply with the established procedures relating to the evaluation of consultants.**

228. The UNICEF Supply Division maintains a roster of qualified and pre-screened candidates for frequently employed services, such as procurement officers, technical consultants and training specialists. In addition, the Division maintains a web roster of the profiles of over 200 candidates interested in working with UNICEF. This database is used in the selection of consultants. Further, the Division no longer issues final payments on consultancy contracts unless the evaluation reports are presented with the payment requests.

229. The Director, Supply Division, is responsible for the implementation of the recommendation.

230. **In paragraph 83, the Board recommended that the management of the Americas and the Caribbean Regional Office ensure full compliance with the administrative instructions relating to the engagement of consultants.**

231. The Americas and the Caribbean Regional Office has strengthened the human resources functions of the Office with the addition of a senior human resources person. In addition, the business process for the hiring of consultants has been better defined. The Office maintains a roster of qualified consultants, and procedures are in place to ensure the necessary coordination with the Division of Human Resources in New York on the hiring of consultants. The Office will continue to stress the importance of ensuring compliance with the relevant administrative instructions and will continue to include the management indicator regarding the timely signing of special service agreements as an input to the performance evaluation reports of staff for the year 2000.

232. The Regional Director, Americas and the Caribbean Regional Office, is responsible for the implementation of the audit recommendation.

233. **In paragraph 88, the Board recommended that the management of the Brasilia field office closely monitor purchase orders for more timely delivery of goods.**

234. With the implementation of the Programme Manager System supply module in the Brasilia office, monitoring of purchase orders has become more transparent. Project officers are now in a position to check the pending supplies and this information will enable the staff to follow up on the timely delivery of goods.

235. The Regional Director, Americas and the Caribbean Regional Office, is responsible for the implementation of the audit recommendation.

236. **In paragraph 90, the Board recommended, and management agreed, that the procurement procedures relating to competitive bidding be complied with fully.**

237. The Jakarta field office is pursuing the improvement of procurement procedures to ensure that these comply with the requirements for competitive bidding.

238. The Regional Director for the East Asia and the Pacific Regional Office and the Representative of the Jakarta Field Office are accountable for the implementation of the audit recommendation.

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East

239. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNRWA for the biennium ended 31 December 1999[8] are set out below.

240. **In paragraphs 10 (a), 10 (b) and 41, the Board recommended that the Administration review the policy on the pre-financing of donor-specified projects, in view of the adverse effect on the cash flow of the Agency, and recover the $24.2 million outstanding from the donors and reimburse the regular budget funds.**

241. A very small number of donors require the Agency to advance project funds to be reimbursed for actual expenditures incurred. The Agency regularly negotiates with donors in order to avoid having to enter into such agreements. In a few cases, the Agency authorizes "advance funding" for projects. This practice is restricted to cases in which specific donor agreements have been negotiated and signed in respect of full project funding in situations where the Agency has to meet initial funding requirements in order to get a project under way. In most cases, advance funding is authorized only when advances do not have an impact on the Agency's cash flow. Both the External Relations Office and the Budget Division monitor cash outflow on such projects very closely, in order to avoid any expenditure beyond the level of funding received and in order to be able to request additional donor funds in time.

242. **In paragraphs 10 (c) and 44, the Board recommended that the Agency strengthen its efforts to recover the outstanding tax reimbursements of $23.72 million and make further appeals to the two Governments to accept the tax-exempt status of the Agency.**

243. The Palestinian Authority is currently in severe financial straits and UNRWA efforts to secure reimbursements of value-added tax paid to the Palestinian Authority have been unsuccessful. The Agency is now attempting to effect such reimbursement through donors to the Palestinian Authority. These donors have large amounts of money appropriated for development projects in areas under the control of the Palestinian Authority, but because of the current situation on the ground, the projects cannot go forward and the monies may soon be returned to the respective national treasuries. We are proposing to such donors that, instead of returning the appropriate monies to their national treasuries, they should reprogramme them to pay the Palestinian Authority's indebtedness to the Agency, by making payment directly to the Agency.

244. As regards the claim with the Government of Italy for the refund of taxes on Provident Fund transactions, the Agency has been informed that the Government will soon begin to make at least some refunds. The office will continue to press its claim for the remaining refunds owed.

245. **In paragraphs 10 (d), 10 (e) and 51, the Board recommended that the Administration recover all overpayments relating to extended monthly evacuation allowances and education grants and review the various administrative instructions relating to those allowances and grants.**

246. Education grants are routine advances, which are cleared at the end of the school year. The status of the 14 individual cases of extended monthly evacuation allowances pursued by the Agency remains unchanged. Nine persons have fully settled their indebtedness, two have appealed and three who are no longer employees of the Agency, and thus no longer subject to having deductions made from their salaries, are resisting the Agency's attempts to collect from them. Of these last three, one is a former staff member who was paid monies without the appropriate evidence on file to establish the dependent status of his wife. To date, the former staff member has failed to provide the requisite information. The Agency has received information to the effect that the former employee's wife did meet the requirements for dependent status. Thus, although a substantial amount of money is involved, the legal position is problematic.

247. The Agency nonetheless continues to correspond with the former employee in an effort to make a conclusive determination as to the dependent status of his wife. Another former staff member has refused to pay the debt, but the amount involved ($1,482.51) does

not justify hiring an attorney and filing a legal suit, especially given that the outcome of such a suit cannot be conclusively predicted. The third former staff member has not responded to attempts to contact him. His current whereabouts are unknown and the amount involved in his case is $4,447.76. Thus the same considerations apply to his case as to that of the second former staff member, referred to above. With regard to the education grant, however, UNRWA welcomes the international personnel directive No. I/103.9/Rev.8, issued on 23 August 2000, that has streamlined ambiguities and improved the interpretation and implementation of the education grant scheme. With respect to the extended monthly evacuation allowance, as part of the major exercise to update the administrative instructions, the above-mentioned instruction has been reviewed and a draft is being circulated as part of the consultative process. Thereafter, it will be presented for Senior Management approval. The target is to have the updated administrative instruction ready for implementation by the end of July 2001.

248. **In paragraphs 10 (f) and 55, the Board recommended that the Agency develop and implement a computerized asset management system in order to better manage and control its non-expendable property items.**

249. The Agency plans to commence to evaluate computerized assets management systems on the market that will complement recent ongoing major system changes in its financial accounting systems. It is expected that this process will be completed by January 2002, under the auspices of the Comptroller. In addition the reconciliation of assets transferred from Vienna to Gaza was completed in December 2000.

250. **In paragraph 19, the Board recommended that, for more accurate and transparent financial reporting, the Agency disclose information on its cash flow statement in line with the United Nations accounting standards, including the disclosure of current and prior year's comparative amounts.**

251. The Agency fully complied with this recommendation in its December 2000 financial statements.

252. **In paragraph 21, the Board recommended that the Agency make full disclosure of its contingent liabilities by including them in the notes to the financial statements.**

253. The Agency complied with this recommendation in its December 2000 financial statements.

254. **In paragraph 26, the Board recommended that the Agency include in its notes to the financial statements the method of valuation of its non-expendable equipment and motor vehicles.**

255. The Agency complied with this recommendation in its December 2000 financial statements.

256. **In paragraph 28, the Board recommended that the format of presentation of the Agency's statement of income, expenditure and changes in reserves and fund balances be improved further to disclose net excess/shortfall of income over expenditure.**

257. The Agency complied with this recommendation in its December 2000 financial statements.

258. **In paragraph 34, the Board recommended that the Agency develop specific generic performance indicators as a basis for assessing programme performance.**

259. The process of developing "key performance indicators" began in October 2000, with assistance from external consultants. All programmes have initially identified potential key performance indicators for their respective programmes and these are being reviewed for their appropriateness. It is expected that the project will be completed by January 2002, under the auspices of the Comptroller.

F. United Nations Institute for Training and Research

260. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNITAR for the biennium ended 31 December 1999[9] are set out below.

261. **In paragraph 10 (a), the Board recommended that UNITAR disclose in the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits and post-retirement benefits and annual leave.**

262. This matter will be discussed with all the parties concerned and UNITAR will disclose all information regarding the value and methods of valuation of non-

expendable property in the notes to the accounts at the end of the biennium.

263. The Executive Director and Finance and Administration Officer are responsible for the implementation of the recommendation.

264. **In paragraph 10 (b), the Board recommended that UNITAR regularly review unliquidated obligations in order to cancel those which are no longer valid.**

265. The recommendation has been fully implemented. Monthly review of accounting entries and unliquidated obligations are being performed. This control is effective such that all obligations that are no longer valid are cancelled promptly.

266. The Finance and Administration Officer is responsible for the implementation of the recommendation.

267. **In paragraph 10 (c), the Board recommended that UNITAR ensure that funds are available in advance of signing any contracts with staff or Special Fellows.**

268. The recommendation has been implemented. Contracts for staff and Special Fellows are only issued if funds are available.

269. The Executive Director and Finance and Administration Officer are responsible for the implementation of the recommendation.

270. **In paragraph 10 (d), the Board recommended that UNITAR establish clear procedures for selecting and appointing Special Fellows and Senior Special Fellows, which should include (a) a clear statement of their purpose and functions, (b) clear criteria to be met by all candidates, (c) a requirement to consider as wide a selection of candidates as is possible and feasible, and (d) a process of review, carried out independently of the recommending staff member.**

271. The Institute recognized the fact that it was necessary to clarify the procedures concerning the use of Special Fellows. In that regard, therefore, a thorough study of Special Fellows was undertaken and, based on the new policies promulgated by the UNITAR Board of Trustees, internal rules and procedures regarding the recruitment of UNITAR Fellows and Special Fellows were established. It is expected that these rules will provide a measure of consistency and clarity in the process. The study involved an investigation of the selection and appointment, duration of contracts, content of the letter of appointment, level of remuneration, and any other contractual benefits. The clarity of the system now in place should allow the Institute to continue to benefit.

272. The responsibility for implementing this recommendation rests with the Executive Director and the Finance and Administration Officer.

273. **In paragraph 10 (e), the Board recommended that UNITAR establish guidelines for the duration of contracts for Special Fellows and Senior Special Fellows.**

274. The recommendation has been implemented in conjunction with the recommendation in paragraph 10 (d), referred to above.

275. **In paragraph 10 (f), the Board recommended that UNITAR ensure that appointment letters for Special Fellows provide a clear description of the duties to be performed, including precise and measurable outputs.**

276. The recommendation has been implemented in conjunction with the recommendation in paragraph 10 (d), referred to above.

277. **In paragraph 10 (g), the Board recommended that UNITAR ensure that payments to Fellows follow the principles set out in the United Nations guidelines on consultant remuneration, which require the primary considerations to be the complexity, difficulty and extent of the work to be performed and the degree of expertise required to accomplish it.**

278. The recommendation has been implemented in conjunction with the recommendation in paragraph 10 (d), referred to above.

279. **In paragraph 10 (h), the Board recommended that UNITAR ensure that any benefits provided to Fellows are in accordance with article VI of the Statute and are clearly stated in appointment letters.**

280. The recommendation has been implemented in conjunction with the recommendation in paragraph 10 (d), referred to above.

281. **In paragraph 22, the Board recommended that UNITAR appraise the recoverability of the**

remaining deficit balances and write off any amounts that are not recoverable.

282. UNITAR continues to take steps to recover all outstanding balances. To date, two of the three deficit balances have been cleared. The third balance of US$ 33,227 refers to a payment made by the United Nations Office at Geneva that must be recovered or written off by that Office.

283. **In paragraph 28, the Board recommended that UNITAR obtain from UNDP supporting documentation for outstanding inter-office vouchers, in the absence of which UNITAR should agree with UNDP as to how the amounts concerned should be cleared.**

284. The balance of US$ 23,919 remains unidentified. A letter has been sent from the Executive Director of UNITAR through the Chief of Finance of the United Nations Office at Geneva formally requesting UNDP to write off this balance as charges against closed projects. A positive reply is expected.

285. The Finance and Administration Officer is responsible for the implementation of this recommendation.

286. **In paragraph 43, the Board recommended that UNITAR append a standard set of conditions to all letters of appointment that address key issues such as confidentiality, avoidance of conflicts of interests, title rights of work produced and arbitration of disputes.**

287. The recommendation has been implemented in conjunction with the recommendation in paragraph 10 (d), referred to above.

288. The Institute has fully implemented the recommendations made in the reports to the Board of Auditors for the financial periods ended 31 December 1997 and earlier.

G. Voluntary funds administered by the United Nations High Commissioner for Refugees

289. The actions taken or to be taken to implement the recommendations of the Board of Auditors as set out in the report on the accounts of UNHCR for the biennium ended 31 December 1999[10] are set out below.

290. **In paragraph 13 (a), the Board recommended that UNHCR ensure complete and accurate disclosure of non-expendable property, urge all field offices to submit updated inventory databases, prepare the comprehensive database for non-expendable property based on the same cut-off date and conduct on a regular basis physical stock checks.**

291. The new asset management system (AssetTrack) was launched in May 2000 and has contributed to a marked improvement in the number of field offices that have reported on assets at the end of the year. The software is now functioning in 135 locations and field offices are performing the physical inspection of assets under their custody as a priority. Out of the 135 locations, 119 submitted their year-end AssetTrack databases for consolidation. Owing to technical or other reasons, 16 locations were unable to submit their databases at the end of the year. Several reminders have been sent to field offices emphasizing the importance of proper asset management.

292. During the rollout, all responsible parties were reminded of the requirement to conduct an annual physical check of the non-expendable property. However, in an organization as large as UNHCR, which operates in over 180 countries worldwide, carrying out a comprehensive inventory with a single cut-off date represents a huge challenge. The Office will continue its efforts to urge field offices to submit updated inventory databases, in order to ensure complete disclosure of the non-expendable property in the accounts for 2001, and to remind them of the requirement to conduct an annual physical check of the non-expendable property.

293. **In paragraph 13 (b), the Board recommended that UNHCR reconcile the unliquidated obligations reported at year-end by field offices to ensure that there is no overstatement of expenditures in the accounts.**

294. This matter was thoroughly reviewed throughout the year and during the year-end closure exercise. The guidelines for the accounts closure for 2000 were made more explicit and clearly defined the responsibilities of programme managers both in the field and at headquarters. During the year, the matter was discussed in the monthly coordination meetings between the Financial Resources Service and the senior resource managers within each operation. In an effort to

reconcile unliquidated obligations during the year, instructions have been issued linking the requests for increases in obligations with the reconciliation of prior year's unliquidated obligations.

295. In the opinion of UNCHR, the amount reported in the financial statements as unliquidated obligations is a fair reflection of the requirements as estimated as at the end of the year. However, and as previously explained on many occasions, there are a number of compelling factors that will result in a small percentage being cancelled during the following year. This is reported in the financial statements as such, and the fact that unliquidated obligations may be cancelled should not be interpreted as an "overstatement of expenditures" in the accounts for the previous year.

296. **In paragraph 13 (c), the Board recommended that UNHCR urge implementing partners with long outstanding advances to submit their final sub-project monitoring reports and facilitate the clearance of projects.**

297. During 2000, the Office made good progress in its efforts to obtain final sub-project monitoring reports from all of its partners. In the course of 2000, the unreported on balance of instalments paid to implementing partners under projects for the years from 1994 to 1998 was reduced from $56.1 million to $29.9 million.

298. At the end of the financial year 2000, the balance of advances to implementing partners under 2000 projects stood at US$ 96.2 million and the balance for which reports were outstanding was further reduced to US$ 46.6 million by end May 2001.

299. **In paragraph 13 (d), the Board recommended that UNHCR continue to make efforts to encourage implementing partners to submit the required audit certificates.**

300. In the response to the recommendations contained in the report of the Board of Auditors for 1999 (A/AC.96/933/Add.1), UNHCR indicated that, with the introduction of the new policy and conceptual approach adopted in 2000, the compliance rates for the submission of audit certificates by implementing partners were expected to improve.

301. For projects implemented during 1999, UNHCR has reached an overall compliance rate of 80 per cent as at end May 2001, as compared to 76 per cent for 1998 projects and 78 per cent for 1997 projects. The compliance rate for international non-governmental organizations stood at 92.4 per cent, for government partners 68.6 per cent and for local non-governmental organizations 60.3 per cent.

302. UNHCR is of the opinion that the overall policy change introduced in 2000, the revised guidelines contained in the UNHCR Manual and the experience gained over the past three years will considerably improve the compliance in the submission of audit certificates by implementing partners for 2000. In 2001, UNHCR plans to introduce some review mechanisms on the quality of the reports received and to consider disqualifying those partners with qualified audit opinions. However, it should be noted that, in many instances, UNHCR does not have a choice in the matter, as the number of partners operating in certain areas is very limited and the Office faces political constraints.

303. **In paragraph 13 (e), the Board recommended that UNHCR immediately address rolling out of the new asset management system for effective management and control of assets.**

304. This recommendation was fully implemented. The new asset management system ("AssetTrack") was effectively rolled out in May 2000.

305. **In paragraph 13 (f), the Board recommended that UNHCR require all field offices to provide adequate segregation of incompatible functions, such as accounting, procurement and cashiering, to ensure strong checks and balance of responsibility and to adhere strictly to the United Nations Financial Regulations and Rules.**

306. As previously indicated to the Board, UNHCR agrees with the auditors that this is one of the most important internal control mechanisms and, whenever possible, this principle is enforced. However, in many UNHCR offices, segregation of functions cannot be fully implemented, owing to the size of those offices and the operational realities.

307. Furthermore, the recently introduced new policy guidelines dealing with the delegation of authority emphasize the importance of segregation of duties.

308. **In paragraph 13 (g), the Board recommended that UNHCR streamline project implementation by ensuring that releases of instalments to implementing partners are on time, (not delayed nor in advance), and that sub-project monitoring**

reports are regularly submitted by the field offices to allow headquarters to assess the progress of the ongoing projects. The Board also suggests that field offices closely monitor the performance of implementing partners to provide them with adequate information to determine whether these implementing partners should be considered for future UNHCR projects.

309. UNHCR would like to once again reassure the Board that systems are in place to control the timely release of instalments to implementing partners and that the monitoring of the performance of implementing partners is an integral part of the UNHCR Programme Management System. It is the responsibility of the UNHCR representative or head of country office to monitor implementation of projects entrusted to implementing partners and ensure that their performance is in accordance with the sub-agreements signed with them.

310. Since the issuance of an updated section 6.5 of chapter 4 of the UNHCR Manual in January 1999, which provided greater clarity on "Sub-project monitoring reports", an updated section 4.4 was issued in November 2000 on "Sub-projects and sub-agreements". The latter section serves as a reminder to field offices with regard to the payment of instalments and stipulates that "offices in the field should ensure that the amounts and timing of instalment payments bear a direct relationship to actual disbursement requirements, and that substantial unused balances are not left in implementing partner accounts". Field offices have also been reminded that compliance with reporting requirements must be documented and that the data in the sub-project monitoring report has been entered into the implementing partner recording module of the Field Office Accounting System.

311. With a view to further strengthening the compliance with the existing rules, all representatives will be reminded by the Division of Resource Management, of their responsibility vis-à-vis the quality of their programmes. This memorandum will also repeat the instructions and rules on the subject and remind representatives of their accountability under the various instruments that exist as tools for monitoring and control.

312. **In paragraph 27, the Board recommended that UNHCR establish a provision for uncollected voluntary contributions receivable to show the net realizable value of the voluntary contributions receivable.**

313. UNHCR has already informed the Board that UNHCR had a divergent opinion and does not feel that the current situation warrants a provision for uncollectible contributions. The UNCHR experience with donors has not given rise to substantial concern. Cancellations of contributions represent a rather low level of the total contributions (less than 1 per cent), with the exception of 1995, when cancellations amounted to $29.3 million. The 1995 figures are untypical and not representative. It must also be emphasized that many of the cancellations relate to projects not implemented and therefore, the contribution was cancelled because there had been no expenditure. This does not represent a financial risk for UNHCR.

314. UNHCR is also concerned about the possible effect that such a provision in the accounts could have on donor attitudes. Providing for non-collectible contributions could launch a process of self-fulfilling prophecy and facilitate the perception of non-payment of pledges as a possible option. The creation of such a provision would require donor agreement and deprive programmes from much needed funding. UNHCR is committed to monitoring future developments and will consider the setting up of a provision for uncollected voluntary contributions receivable when required by financial prudence. This is in keeping with the spirit of United Nations accounting standard No. 33.

315. **In paragraph 62, the Board recommended that UNHCR urge the field offices to comply with the existing policy on assets disposal to strengthen controls over them.**

316. Field offices have been regularly reminded of the existing policy on assets disposal.

317. **In paragraph 64, the Board recommended that the Administration urge the field offices to closely monitor their expenditures to avoid exceeding the limits of allotments.**

318. The facts, as described by the auditors in the report, only partially reflect the situation. While it is correct that "budget overruns" occurred, these were against specific budget headings using the savings under other headings. This practice is allowed under current UNHCR procedures and is in line with the UNCHR financial management decentralization policy.

Within the total amount allocated under the administrative budget, field offices are authorized to effect transfers from one budget heading to another. The "limits of the allocations" were not exceeded, except in one case (Argentina) where the situation was beyond the control of UNCHR.

319. **In paragraph 70, the Board recommended that UNHCR monitor personnel actions with a view to reducing the risk of overpayments to personnel.**

320. It is reiterated that, as Payroll is outsourced to the United Nations Office at Geneva, UNHCR does not have the capacity to check the implementation of entitlements as registered in its personnel actions. Regrettably, there is no solution until the implementation of a new integrated system, including a payroll function, which is under development. UNHCR is of the opinion that the recommendation as worded could be misread out of context, and imply that overpayments are not properly recovered and recorded by UNHCR, which is not the case, as the auditors themselves did not find concrete shortcomings. Pending the implementation of the new integrated system, including a payroll function, the Office of Internal Oversight Services has conducted an audit of the UNHCR payroll. That review provided an opportunity to determine the risk of overpayments to staff and to assess the procedures in place for their recovery. UNHCR is of the opinion that the risk is low.

321. **In paragraph 72, the Board recommended that field offices be urged to submit timely reports on unliquidated obligations, which should be used by headquarters to make proper adjustments to the records.**

322. This recommendation has been implemented and instructions were issued to field offices in the first quarter of 2001 to submit reports and confirm the validity of unliquidated obligations.

323. **In paragraph 74, the Board recommended that UNHCR field offices strengthen their programme planning through the preparation of appropriate planning documents, which could include performance indicators and milestones.**

324. Efforts have been undertaken to strengthen the programme planning through the issuance of clearer and more detailed instructions. In the instructions issued in December 2000 (IOM/93-FOM/95/2000, dated 15 December 2000), the field offices were provided with comprehensive guidance on the preparation of appropriate planning documentation, emphasizing the importance of setting goals, objectives and outputs. To further complement this, UNHCR has conducted a series of training workshops for field staff, on the preparation of project descriptions, sub-project descriptions and strategic planning, leading to the preparation of the Country Operations Plan.

325. **In paragraph 79, the Board recommended that UNHCR record all contributions from the United Nations Fund for International Partnerships (UNFIP) as trust funds, to ensure proper monitoring and accounting of those contributions.**

326. This recommendation has been implemented and the UNFIP funding in 2000 was recorded in the UNHCR accounts as trust funds.

H. Fund of the United Nations Environment Programme

327. The action taken or to be taken to implement the recommendations of the Board of Auditors as set out in the report of the United Nations Board of Auditors on the audit of the accounts of the Fund of UNEP, for the biennium ended 31 December 1999[11] are set out below.

328. **In paragraph 12 (a), the Board recommended that the Administration disclose the accounts receivable and accounts payable in gross terms, rather than in net terms, in accordance with the United Nations accounting standards.**

329. The recommendation will be effected in the financial statement for the first year of the biennium ended 31 December 2000 and in future accounting periods.

330. The responsibility for implementing this recommendation lies with the Officer-in-Charge, Accounts Section, Budget and Financial Management Services, United Nations Office at Nairobi.

331. **In paragraph 12 (b), the Board recommended that the Administration ensure that project expenditures are maintained within approved commitments.**

332. Management agrees with the recommendation and has issued a circular, which draws the attention of the UNEP division directors and certifying officers, to the need for ensuring project expenditures are

maintained within approved commitments, and to enforce existing disciplinary measures, with a view to enhancing accountability and budgetary discipline.

333. The Division Directors and the Budget and Financial Management Services of the United Nations Office at Nairobi are responsible for the implementation of this recommendation.

334. **In paragraph 12 (c), the Board recommended that UNEP review all inactive projects and take steps to obtain the required documents to make possible the timely closure of all completed projects. In this regard, UNEP should determine the causes of the factors that prevented the timely closure of the projects.**

335. Management agrees with the recommendation. Of the 247 inactive projects as at 31 December 1999, 142 were closed in 2000 and efforts continue to ensure the early closure of all completed projects. The Budget and Financial Management Services of the United Nations Office at Nairobi prepares biannual overviews of outstanding reports for all projects for immediate corrective action by UNEP divisions. Management has issued a circular addressed to UNEP division directors reminding them to do all that is necessary to close the remaining inactive projects. UNEP continues to make every effort to effect closure of these projects. In addition to those closed in 2000, 92 projects were closed as at 15 June 2001.

336. The division directors and Budget and Financial Management Services of the United Nations Office at Nairobi are responsible for the implementation of this recommendation.

337. **In paragraph 12 (d), the Board recommended that UNEP provide the United Nations Office at Nairobi with the information needed to maintain a central roster of consultants, which should be used as the basis for their selection.**

338. As previously indicated in the first status report (A/55/380/Add.1), the United Nations Office at Nairobi has informed UNEP that it is unable to establish and maintain a consultant roster because of the lack of resources. Until such time as adequate resources become available, all divisions will maintain sub-rosters of consultants. The Human Resources Management Section of the United Nations Office at Nairobi has initiated action towards the establishment of a central roster of consultants in conjunction with the various sub-rosters being maintained in harmonization with the Habitat roster.

339. The responsibility for implementing this recommendation lies with the Chief, Human Resources Management Services, United Nations Office at Nairobi.

340. **In paragraph 12 (e), the Board recommended that UNEP ensure that the terms of reference of consultants include performance indicators by which to assess or evaluate results.**

341. As indicated in the first status report, a proposal to revise the existing guidelines for the recruitment of consultants was prepared by a joint United Nations Centre for Human Settlements (Habitat)/UNEP and United Nations Office at Nairobi working group and is awaiting comments from both client agencies. Several verbal reminders have not yielded any results.

342. The responsibility for implementing this recommendation lies with the Chief, Human Resources Management Service, United Nations Office at Nairobi.

I. United Nations Population Fund

343. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNFPA for the biennium ended 31 December 1999[12] are set out below.

344. **In paragraph 11 (a), the Board recommended that UNFPA set expenditure ceilings within the expected level of income and apply them rigorously in the allocation of authority to incur expenditure.**

345. The operational reserve, which was used to fund a deficit in 1999, was restored to its original level in 2000. UNFPA concurs with the need to ensure greater financial discipline and will rigorously ensure that country offices do not exceed their expenditure ceilings. However, it should be pointed out that UNDP provides cash replenishment, on a reimbursable basis, for the country office operations of UNFPA. Currently, UNDP does not exercise any control on the overall level of UNFPA cash disbursement.

346. Given the current modus operandi for cash disbursements, the auditors' recommendations may not be the most efficient solution. The Director, of the Division of Management Services, formerly, the

Administration and Management Information Services, will explore appropriate and efficient mechanisms to control the overall level of cash disbursements in the country offices. Options to improve the control and reporting mechanisms are under consideration. The Management Information Services Branch is currently developing software enhancements that will allow UNFPA headquarters to have direct online access to all disbursements of each country office. This will ensure a tighter control over cash disbursements. In addition, each UNFPA representative will be held responsible for ensuring that the country ceilings are not overspent.

347. The UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that final expenditures do not exceed ceilings.

348. **In paragraph 11 (b), the Board recommended that, until its operational reserve is restored to at least $50 million, UNFPA should operate over the biennium on a fully-funded basis, limiting expenditure allocations to the level of actual income received.**

349. UNFPA remains committed to strict financial and budgetary control and will ensure that, at the end of the biennium, the level of the operational reserve will be at least $50 million.

350. The two Deputy Executive Directors are responsible for overall financial and budgetary discipline.

351. **In paragraph 11 (c), the Board recommended that UNFPA require field offices to prepare annual audit plans identifying which projects will be subject to external audit, and coordinate these plans at UNFPA headquarters to ensure that the organization has planned a sufficient level of coverage.**

352. The Deputy Executive Director has requested the country offices and concerned headquarters divisions to prepare annual audit plans. In order to achieve appropriate audit coverage, the Fund took the following steps: (a) UNFPA representatives and directors of concerned divisions at headquarters will be required to ensure that a minimum of 90 per cent of the annual government-executed expenditures and 90 per cent of the non-governmental organization-executed expenditures are audited; (b) the UNFPA Audit Section, in cooperation with the directors of divisions, will monitor the preparation and implementation of audit plans in accordance with the above requirements; (c) UNFPA representatives and division directors at headquarters were reminded that they are personally accountable for compliance with audit requirements and for following up on audit recommendations; (d) the Fund is in the process of recruiting additional staff for the UNFPA Audit Section to monitor audits of expenditures incurred through government and non-governmental organization execution; (e) UNFPA is providing practical options for its representatives and directors of divisions at headquarters to ensure the timely receipt of audit reports; (f) UNFPA representatives and division directors were reminded that project funds may be used to secure the services of private audit firms to audit project accounts in the event that the executing agencies do not have the capacity or resources to do so. This option has always been available, but country offices and directors of divisions are now urged to pursue its use more vigorously; (g) when delays in the submission of final audit reports are anticipated, UNFPA representatives and division directors at headquarters are to submit draft audit reports pending the receipt of the final report; and (h) in cases of repeated non-compliance with audit requirements, UNFPA will consider implementing the Board of Auditors' suggestion to withhold further cash advances and not to enter into new contractual arrangements with those organizations that have not provided the necessary audit documents.

353. The Chief, Internal Audit Section, will monitor compliance with project audit requirements.

354. **In paragraph 11 (d), the Board recommended that UNFPA closely monitor trust fund income and expenditure to ensure that it does not obligate expenditure without having sufficient funds available.**

355. The Division of Management Services has reviewed the two cases referred to and would like to provide the following clarification. In one case, the negative balance was recorded as a result of miscoding and in the other case, the actual negative balance amounted to $7,618. In both cases, corrective action was taken.

356. UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that sufficient funds are available in trust funds before incurring expenditures. To assist in this

regard, the Division of Management Services is developing a report that will compare income and allocations at the project level. The Resource Development Branch has also developed a monitoring matrix that will assist in the early identification of any potential sources of over-expenditure in trust funds. It is planned that the new Resource Management System will include additional safeguards to prevent disbursements when there are insufficient funds. The Division of Management Services will further emphasize to all concerned parties the importance of ascertaining that there are sufficient funds before obligating any expenditure. All concerned staff will be held accountable.

357. The Director, Division of Management Services, is responsible for the implementation of this recommendation.

358. **In paragraph 11 (e), the Board recommended that UNFPA make mandatory the use of its criteria for assessing technical and managerial capacity in selecting executing agencies and require that project documents contain clear assessments of the capacities of executing agencies and specifically address any identified weaknesses.**

359. The UNFPA Programme Manual lists criteria pertaining to the assessment of the potential executing agency's technical capacity, managerial capacity and comparative advantage. An assessment of potential executing agencies is conducted during the development of UNFPA-supported country programmes. Results of the assessment form part of the basis for defining the implementing and execution modalities for the country programme. An analysis of the adequacy and appropriateness of the execution modalities selected is an integral component of the annual country programme review and of the mid-term review of country programmes. With respect to regional and interregional projects, a preliminary assessment is made during the preparation of the inter-country programme.

360. The UNFPA representatives, the directors of the geographic divisions and the Technical and Policy Division are responsible for ensuring that the project documentation includes a clear assessment of the capacity of executing agencies and that any weaknesses are appropriately addressed. The Deputy Executive Director (Programme) issued corresponding administrative instructions in early 2001.

361. **In paragraph 11 (f), the Board recommended that UNFPA strengthen the management and monitoring of its projects at the design phase by incorporating baseline information and qualitative and quantitative performance indicators.**

362. UNFPA is committed to the use of performance indicators and baseline information. In this context, the Executive Board approved the UNFPA multi-year funding framework in April 2000. The framework is a coherent mechanism that builds on clearly defined organizational results and a set of indicators to track progress towards achieving those results. UNFPA will report annually to the Executive Board on the implementation of the multi-year funding framework. The first batch of monitoring and evaluation tools was disseminated in early 2001. Additional tools have been and will be developed to aid country office staff in programme management and monitoring. The development of such tools will continue as part of a dynamic process to improve the quality of programmes and programme delivery. The results-based approach requires a rigorous application of the logical framework (logframe) approach in planning, monitoring and reporting results, using the indicators identified in the logframe matrix.

363. The first report on the implementation of the multi-year funding framework will be submitted to the Executive Board in June 2001. A multi-year funding framework situation analysis is under way in all country offices to ensure a correct mapping of the results of the framework. All new programmes starting in 2001 and onwards will be reviewed to ascertain their contribution to organizational results and the use of performance indicators for programme management, including monitoring.

364. The Deputy Executive Director (Programme) and the Chief, Office of Results-Based Management, will closely monitor the global implementation of the results-based approach, including the use of baseline information and performance indicators.

365. **In paragraph 11 (g), the Board recommended, and UNFPA agreed, that UNFPA should require headquarters units and country offices to provide the headquarters Procurement Unit with detailed annual procurement plans.**

366. Owing to the uncertainties in the level of financial resources available to country offices, the Director, Division for Management Services and the

Chief, Procurement Services Section, decided to postpone issuing a circular requiring the country offices to submit annual procurement plans.

367. **In paragraph 11 (h), the Board recommended that UNFPA require divisional directors and chiefs of offices to confirm that substantial procurement is routed through the Procurement Unit, before certifying procurement requests.**

368. On the basis of clarifications provided by UNFPA, the Board revised the summary recommendation in paragraph 11 (h). However, the recommendation in the main text in paragraph 70 remained unchanged. The Fund's response therefore refers to the recommendation in paragraph 11 (h).

369. The Division for Management Services issued corresponding administrative instructions in early 2001. With the implementation of this recommendation, chiefs of organizational units are personally accountable for channelling all procurement requests through the Procurement Services Section. Non-compliance will be reflected on the individual officer's performance assessment and, if necessary, action will be taken to enforce accountability.

370. **In paragraph 11 (i), the Board recommended, and UNFPA agreed, that UNFPA should develop a process for formally recording and monitoring suppliers' performance.**

371. Such a system is not yet in place because the Inter-Agency Procurement Working Group is in the process of developing a common system for use by all United Nations organizations. In the meantime, and in the light of the comments of the Board of Auditors, the Procurement Services Section has developed and is utilizing an interim monitoring system. The common system is expected to be operational in 2001.

372. **In paragraph 11 (j), the Board reiterated its recommendation that UNFPA remind all country offices of the need to submit receipt and inspection reports within three weeks of delivery for all goods procured by headquarters.**

373. Country offices were last reminded of this in December 2000.

374. The Chief Procurement Officer will closely monitor compliance and take any follow-up action required.

375. **In paragraph 11 (k), the Board recommended that UNFPA make every effort to recover the overpayment of up to $1.8 million from the contractors once the final value of the work done has been verified.**

376. The verification of the actual amount of overpayments and accountability for them is still being processed. To accomplish this, UNFPA has contracted independent consultants to quantify the total amount involved. Following the guidance of its legal adviser, UNFPA will make every effort to recover funds from the concerned parties once the amount is established. Disciplinary action has been taken against all but one involved staff member, whose case is still pending. Given the complexity of the issue, UNFPA expects the case to come to closure in 2001.

377. **In paragraph 15, the Board recommended that UNFPA disclose in the financial statements the value and basis of valuation for end-of-service benefits and post-retirement benefits and annual leave.**

378. The Chief, Finance Branch, is examining its implications for data collection and computerization. UNFPA will disclose the information in a note to the financial statements for the biennium 2000-2001.

379. **In paragraph 17, the Board recommended that UNFPA ensure that it discloses the value of all non-expendable equipment in the notes to the financial statements.**

380. The primary responsibility for record keeping of the value of non-expendable equipment lies with the executing agencies. UNFPA country offices and the concerned divisions at headquarters are required to obtain the data from the executing agencies and to submit complete and accurate data to the Division for Management Services.

381. Accuracy and completeness of the information, however, are ascertained by the country offices in their review of the information submitted by Governments and non-governmental organizations. To ensure follow-up action, the Division for Management Services will be liaising with the geographic divisions and the country offices to ensure data accuracy and completeness.

382. UNFPA had planned to disclose the information in a note to the financial statements for the biennium 1998-1999 but the data-collection and verification

process proved to be more complex than expected. As such, the Chief, Finance Branch, plans to disclose the information for the biennium 2000-2001. To optimize the accuracy of recording, the Chief, Finance Branch, will review the policy regarding timing of the transfer of project equipment to the executing agencies.

383. **In paragraph 33, the Board recommended that, since the reserve for field accommodation has remained outstanding for six years, UNFPA take action to bring the matter to a conclusion.**

384. On 16 November 1998, UNDP wrote to UNFPA, UNICEF and the World Food Programme (WFP) requesting these parties to reimburse UNDP for outstanding construction costs for five separate countries, namely, Cape Verde, Comoros, Guinea-Bissau, Sao Tome and Principe and Zambia. The UNDP proposal was that these agencies accept a cost overrun of 33 per cent above the initial construction contract value for the premises in question. In turn, UNDP would absorb cost overruns in excess of that threshold. The proposal contained cost breakdowns for each project cited.

385. On 17 February 1999, on the advice of WFP general legal counsel, the three agencies replied in writing to UNDP that they could not agree to its request. In response to that development UNDP referred the matter to the Office of Legal Affairs of the United Nations Secretariat, which subsequently rendered a legal opinion to UNDP. The content of the opinion was shared with UNFPA, UNICEF and WFP and was subject to discussion during the United Nations Development Group Management Group meeting on Common Services and Premises held on 21 March 2001. The Office of Legal Affairs opinion contradicts the advice rendered by the WFP general legal counsel and indicates that each of the foregoing agencies have a liability for some proportion of the construction cost escalations. The Office of Legal Affairs opinion, however, fails to quantify the exact monetary liabilities of each of the respective parties. In the light of this information, the agencies concerned are pursuing renewed inter-agency consultations and have agreed to reinitiate good faith negotiations with UNDP in order to resolve this long-standing matter as promptly as possible.

386. **In paragraph 55, the Board recommended that UNFPA establish a management information system for controlling advances to projects.**

387. Strict requirements regarding the conditions for paying and controlling advances are set forth in the UNFPA Finance Manual. The Division for Management Services has introduced a warning message into the United Nations Field Office System which signals when the advance exceeds the quarterly limit for a project based on the current allocation. The Finance Branch will provide the Fund's Executive Committee with a list of offices that are deficient in compliance with UNFPA financial regulations, rules and procedures with regard to the timely receipt of disbursement reports and the over-advancing of funds. UNFPA representatives and programme managers at headquarters are responsible for ensuring that these procedures are implemented. Appropriate action will be taken based on the Executive Director's memorandum dated 29 January 1999, on personal accountability. (See also recommendation in paragraph 34.)

388. **In paragraph 57, the Board recommended that UNFPA not make advances before all parties have signed the project documents.**

389. UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that no disbursements and no financial commitments are made before all parties have signed the project documents. UNFPA will strictly enforce accountability rule 103.2, which stipulates that all UNFPA officials are responsible for the regularity of actions taken by them in the course of their official duties. Any staff member who acts in violation of the Fund's procedures will be held personally responsible.

390. **In paragraph 59, the Board recommended that, in all cases, UNFPA ensure that agencies submit final project reports or suitable alternatives.**

391. UNFPA programme guidelines require that executing agencies submit a final project report. UNFPA is committed to strictly enforcing this requirement. UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that executing agencies comply with all reporting requirements.

392. **In paragraph 81, the Board recommended that UNFPA remind country offices of the need to include construction contracts in the procurement statistics that they submit to headquarters.**

393. UNFPA has implemented the recommendation. Since 1999, procurement statistics include construction contracts. New comprehensive guidelines on construction and subcontracts were issued in 2000 and early 2001.

Follow-up action taken to implement outstanding recommendations made in the report of the Board of Auditors for the biennium ended 31 December 1997[13]

394. **In paragraphs 9 (a) and 17, the Board recommended that UNFPA show the value of contributions in kind in a note to the financial statements.**

395. UNFPA had intended to disclose the information in a note to the financial statements for the biennium 1998-1999, but the data collection proved to be more complex than expected. As such, the Chief, Finance Branch, plans to disclose the information for the biennium 2000-2001.

J. United Nations Habitat and Human Settlements Foundation

396. The actions taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the United Nations Habitat and Human Settlements Foundation for the biennium ended 31 December 1999[14] are set out below.

397. **In paragraph 11 (a), the Board recommended that the Administration disclose accounts receivable and accounts payable in gross rather than net terms in accordance with the United Nations accounting standards.**

398. The United Nations Office at Nairobi fully accepts the recommendation and notes that accounts receivable and accounts payable will be reported in gross rather than in net terms. This recommendation will be effected in the financial statement for the first year of the biennium ending 31 December 2001 and in future accounting periods.

399. The responsibility for implementing this recommendation lies with the Chief, Financial Resources Management Services, United Nations Office at Nairobi.

400. **In paragraph 11 (b), the Board recommended that the Administration apply strict expenditure control over each trust fund and project to ensure that expenditures do not exceed the authorized limits of allotment in accordance with existing rules.**

401. The Centre, in close collaboration with the United Nations Office at Nairobi, is improving its project monitoring system, which will provide to programme managers and project management officers with online and up-to-date information on income, budgets and expenditures for each trust fund and project. At the same time, a system of front-end control of obligations has been adopted. It is envisaged that expenditure control will be further enhanced by the introduction of IMIS Release 3 in Nairobi, scheduled for 2 July 2001.

402. The implementation of this recommendation is the joint responsibility of the Director, Programme Support Division, United Nations Centre for Human Settlements (Habitat) and the Chief, Accounts Section, Budget and Financial Management Services, United Nations Office at Nairobi.

403. **In paragraph 11 (c), the Board recommended that the Administration comply fully with the comprehensive guidelines for use of consultants, as accepted by the General Assembly.**

404. The Centre continues to be committed to ensuring that the selection of consultants is made on a competitive basis and in accordance with established United Nations guidelines. At the initiative of the Human Resources Management Services at the United Nations Office at Nairobi, all programme managers have been provided with a copy of administrative instruction ST/AI /1999/7 on the use of consultants and individual contractors, and have been reminded that these instructions should be strictly enforced.

405. The implementation of this recommendation is done with immediate effect and is a joint responsibility of the Director, Programme Support Division, United Nations Centre for Human Settlements (Habitat) and the Chief, Human Resources Management Services, United Nations Office at Nairobi.

406. **In paragraph 11 (d), the Board recommended that, as required by existing policies, the roster of consultants maintained by Habitat be updated and provided to the United Nations Office at Nairobi to facilitate the development of a computerized central roster of consultants.**

407. The Centre, also in accordance with Habitat Agenda item 228 (h), is currently in the process of

consolidating and updating its roster of consultants in order to make it more usable and comprehensive. Financial and staffing constraints, both in the United Nations Office at Nairobi and in Habitat, will make it difficult to implement the second part of the recommendation with immediate effect. The Office of Human Resources Management, United Nations Office at Nairobi has indicated that, owing to a zero growth budget for the biennium 2002-2003, no funds are available to establish a central roster of consultants. However, every effort is being made to implement this recommendation as soon as the required additional resources have been identified.

408. The responsibility for implementing this recommendation belongs to the Director, Programme Support Division, Habitat and the Chief, Human Resources Management Services, United Nations Office at Nairobi.

K. Fund of the United Nations International Drug Control Programme

409. The actions taken or to be taken to implement the recommendations of the Board of Auditors contained in the report on the accounts of UNDCP for the biennium ended 31 December 1999[15] are set out below.

410. **In paragraph 11 (a), the Board recommended that in compliance with United Nations accounting standards, UNDCP disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave.**

411. Note 2 (c) of the notes to the financial statements refers to provision for contingent liabilities. In particular, it mentions repatriation grant entitlements, which are calculated at 8 per cent of net base pay for all personnel funded from the Fund of UNDCP (note 15). In addition to these specific provisions, reference is made to the operational reserve, which is based on the estimated costs likely to arise from the contingency of all personnel under the Fund having to separate from the service at the same time (note 16). The above recommendation will be reviewed together with the provision already made, in order to have full disclosure in the notes to the financial statements for the biennium 2000-2001.

412. The responsibility for implementing this recommendation belongs to the Chief of the Programme Support Service, United Nations International Drug Control Programme.

413. **In paragraph 11 (b), the Board recommended that UNDCP strengthen its efforts to encourage UNDP to secure the necessary audit reports for nationally executed projects and, where appropriate, extend the arrangements whereby nationally executed projects are audited by local accountancy firms. Furthermore, in paragraph 11 (c), the Board recommended that UNDCP should follow up, in liaison with UNDP, all audit reports outstanding in respect of the bienniums 1996-1997 and 1998-1999.**

414. UNDCP did not follow up on audit reports on nationally executed expenditures in the biennium 1996-1997 because it concentrated its efforts in trying to obtain from UNDP certificates for 1998-1999. Moreover, it was considered prudent to concentrate its limited resources in obtaining audit certificates through commercial firms for the biennium 1998-1999 only. In its initial reply to the audit report, UNDCP requested that the Board reconsider its position as to whether it required certificates prior to 1998-1999, because logically that would mean going back to the inception of the Programme in 1991. UNDCP therefore submits that 1998-1999 be used as a cut-off point on this issue.

415. UNDCP has continued to follow up closely with UNDP and has also engaged local accountancy firms, to ensure that outstanding audit certificates for the biennium 1998-1999 are submitted. The Board, in its comments on the action taken by UNDCP, UNDP and UNFPA, noted that UNDCP had obtained audit certificates for 88 per cent of nationally-executed expenditures for 1998-1999. However, the status as at 15 March 2001, is that UNDCP has obtained audit certificates covering $16.9 million of the $18.3 million expenditures for nationally-executed projects in 1998-1999. The amount of expenditures covered by audit certificates represents 92.2 per cent and is a significant improvement over the 5.5 per cent implementation rate reported as at 30 June 2000. The Board, in its comments, further noted its satisfaction with the plans developed by UNDCP, UNDP and UNFPA to address the reasons for the Board's qualified audit opinions. UNDCP will continue to ensure that audit certificates are submitted for nationally-executed UNDCP project

expenditures for the current biennium and for future financial periods.

416. The responsibility for the continuing implementation of the above-mentioned recommendations lies with the Chief, Programme Support Services.

417. **In paragraph 11 (d), the Board recommended that UNDCP ensure that bank reconciliations are regularly and promptly undertaken both at headquarters and in field offices and that long outstanding items are investigated.**

418. Bank reconciliations are now carried out on a regular basis both at headquarters and in the field offices, with outstanding items cleared as soon as possible.

419. The responsibility for bank reconciliation lies with the Chief, Programme Support Services.

420. **In paragraph 11 (e), the Board recommended that UNDCP assist those Governments without national drug master plans, or their equivalent, to produce plans as soon as possible to identify and prioritize specific drug-related problems and to establish a course of action at the government level to address them.**

421. It is a standard part of the work of the United Nations International Drug Control Programme work to advise Governments on the importance of national drug control strategies and plans (master plans) which address in a balanced manner drug demand and supply, and to provide assistance in the preparation of such plans. Following the last report, submitted to the Board in 2000, on the status of the implementation of the above-mentioned recommendation, all countries in which UNDCP has a field office have a national drug control master plan (or an equivalent comprehensive strategy and/or plan) with the exception of Afghanistan (owing to the political situation in the country). In addition, Brazil, aside from a very general drug control policy document, entitled PANAD, of the mid-1990s, has not yet produced a detailed drug control strategy. UNDCP will continue pursuing this point, but understands that the federal nature of the Brazilian Government constitutes a challenge in developing a national strategy. In fact, Brazil has adequate drug control strategies in some key states and excellent national programmes in areas like HIV/AIDS prevention and treatment. The Federal Police has also developed a plan to strengthen their drug control capacity in the Amazon region, which covers 60 per cent of Brazil. UNDCP continues to assist Governments in this area.

422. The responsibility for the continued implementation of the recommendation lies with the Chief, Operations Branch.

423. **In paragraph 11 (f), the Board recommended that UNDCP develop central guidance on planning, that sets clear standards and promotes greater consistency and comparability between planning documents.**

424. UNDCP has been working to ensure comparability and consistency between project and programme documents, and has developed standard formats and guidelines for each. Management instruction, MI/11, issued on 15 March 2001, promulgates the establishment of a Programme Project Committee in the Office for Drug Control and Crime Prevention and stipulates procedures to ensure improved quality of programme and project documents, including adherence to the related formats and guidelines. While Governments and intergovernmental organizations may have their own drug control planning documents, it is envisaged that UNDCP planning documents contributing to the implementation of Government priorities and plans, will be limited to the said programme and project documents.

425. The responsibility for implementing this lies with the Director, Division for Operations and Analysis.

426. **In paragraph 11 (g), the Board recommended that UNDCP ensure that all future annual reports provide an analysis of actual results and outputs compared with objectives set out in the relevant country or regional plans.**

427. UNDCP does in fact have a standard format for annual field reports. The latest format dates back to August 1994. This format has now been changed through the revised management instruction, MI/10/Rev.1 on field-headquarters reporting, issued on 15 March 2001, which addresses the need for annual field reports to provide an analysis of actual results and outputs compared to objectives set out in country and regional plans. The existing annual field reports, thereby, has been replaced by a country profile, which focuses on drug and crime trends, and by a concise annual field report, which inter alia includes an

assessment of programme and project delivery (within each thematic area) against the previous year's work plan. The annual field reports are complemented by annual project progress reports.

428. It may be added, that for the Fund of UNDCP, performance is monitored first at the project level, and then at the programme level (covering typically all activities in a country or subregion, or within a thematic area in a subregion) and, finally, at the biennial programme budget level (consisting of all programmes and projects and covering all activities funded by the Fund of UNDCP during the biennium). At the project level, immediate objectives, outputs and results are a regular part of project development, and act as standards against which projects are monitored and evaluated. Increasingly, action is taking place within a defined programme, consisting of a set of coherent projects, linked together to achieve a common objective or objectives. The programme is established and defined by a programme document and has a clearly articulated strategy and achievement indicators. UNDCP will present an initial biennial programme budget for the biennium 2002-2003 for the Fund of UNDCP containing planned results by region (and country where appropriate) and thematic area. It will review the introduction of results-based budgeting in other United Nations programmes and adapt a results-based budget model for its final budget for the biennium 2000-2001 and initial budget for the biennium 2002-2003. Additionally, to monitor performance at the programme level, a series of programme evaluations will take place beginning in 2001.

429. The new integrated financial and project management system, as currently implemented, will not relate actual results and outputs with funds and inputs. While comprehensive, it is a financial system, which is not activity or output based. Expansion of the system for this purpose is a recognized need, particularly by field offices. A proposal to this effect has been made and approved by senior management, subject to the allocation of the required additional funding, estimated at approximately $450,000. This module will be introduced as soon as additional funds can be mobilized. UNDCP will continue to pursue and monitor the implementation of this recommendation.

430. The responsibility for implementing this recommendation lies with the Director, Division for Operations and Analysis.

431. **In paragraph 11 (h), the Board recommended that UNDCP coordinate its procurement activities with the aim of concentrating procurement into fewer agencies, thereby benefiting from economies of scale.**

432. As noted by the Board, UNDCP does not have its own procurement unit, hence, all procurement for the Programme is done by other agencies. The following table shows the distribution (as at February 2001) of UNDCP project budget allotments among agencies for 2001.

Summary of allotment advices for 2001 by executing agency (excluding programme support costs) February 2001

Agency	*Allotments (United States dollars)*	*Percentage of total*
United Nations Office at Vienna	9 593 400	18.91
UNDP (UNDCP field offices — projects)	10 612 200	20.92
UNOPS	7 303 100	14.4
Other United Nations agencies (UNICEF, UNIDO, United Nations Volunteers, Food and Agriculture Organization of the United Nations, International Labour Organization, World Health Organization)	4 130 700	8.14
Governments	17 680 700	34.86
Intergovernmental organizations	755 400	1.49
Non-governmental organizations	645 300	1.27
Total	**50 720 800**	**100**

433. It should be noted that UNDCP criteria for selection of executing agencies and other implementing partners are aimed at ensuring effective and efficient project implementation. Moreover, UNDCP requires the engagement of other agencies in the implementation of its programmes and projects. This is inter alia to benefit from their expertise in the implementation of concrete projects and also to generate more long-term inter-agency cooperation and understanding of the drug problem. The General Assembly and the donor community, incidentally, also demand this inter-agency collaboration approach.

434. Some activities are fully outsourced, such as when another United Nations agency (e.g. the

International Labour Organization (ILO) or the Food and Agriculture Organization of the United Nations (FAO)) executes a UNDCP project or a component of a project. In such cases, procurement is handled by that agency, which becomes fully responsible for ensuring efficiency. In other cases, UNDCP (mostly UNDCP field offices) is the executing agency, although procurement services are provided by other agencies, such as UNDP and UNOPS. A relatively substantial portion comes under national execution, where procurement to a large extent is done through UNDP. It should be noted that agencies with a large-scale procurement portfolio of their own, such as FAO and UNOPS, have the capability to ensure economies of scale. In the case of UNOPS, the economies of scale and efficiency of its procurement is one of the main reasons that UNDCP uses that agency. UNDCP recognizes the merit in the Board's recommendation and will implement it as far as practicable.

435. The responsibility for implementing this recommendation lies with the Director, Division for Operations and Analysis.

436. **In paragraph 11 (i), the Board recommended that UNDCP require departments to prepare procurement plans for submission to the relevant procurement units.**

437. UNDCP will continue to pursue the implementation of the Board's recommendation to prepare procurement plans in collaboration with the responsible procuring agencies, such as the United Nations Office at Vienna, UNOPS and UNDP.

438. The responsibility for implementing this recommendation lies with the relevant programme managers in the Operations Branch and the Public Policy and Analysis Branch.

439. **In paragraph 11 (j), the Board recommended that UNDCP issue clear guidelines to field offices on the procurement procedures to be followed and the delegated limits that apply.**

440. UNDCP concurs with the recommendation. Field offices have already been clearly instructed to comply with relevant UNDP rules and regulations. Copies of UNDCP financial rules and relevant United Nations financial and procurement rules and manuals have been sent to each field office.

441. The responsibility for implementing this recommendation lies with the Chief, Programme Support Services.

442. **In paragraph 11 (k), the Board recommended that UNDCP work with the United Nations Office at Vienna to draw up a service-level agreement, specifying the level and quality of all services provided, including procurement services.**

443. The drawing up of a service-level agreement between UNDCP and the United Nations Office at Vienna will be addressed in the submission of the initial Fund budget for the biennium 2002-2003. The budget will include provision of resources to cover the said agreement.

444. The responsibility for implementing this lies with the Chief, Programme Support Services and the Chief of Finance and Budget, United Nations Office at Vienna.

445. **In paragraph 29, the Board recommended that UNDCP take follow-up action to clear long outstanding advances totalling $345,713.**

446. UNDCP has been continuously following up with the concerned recipient agencies on the submission of the required certified expenditure reports, which would allow it to clear the advances. The status of the three exceptional cases mentioned in the Board's report is stated below.

(a) Gilead Church — $175,000 (project AD/BOL/88/415). This advance was the subject of protracted negotiations between UNDCP and Gilead Church. To date, Gilead Church has not submitted acceptable expenditure reports and has not responded to requests for a meeting to finalize the issue. Legal steps are now being considered to resolve the matter;

(b) UNFPA — $8,433 (project KEN/B77). Expenditures for $6,834 against this advance were submitted during 2000. Efforts are being made to obtain information on the balance, with a view to concluding the project in UNDCP books;

(c) United Nations Volunteers (UNV) — $162,200 (project GLO/B92UNV). This project runs until December 2002. Efforts are being made to obtain expenditure reports from UNV for the period from July 1997 to date.

447. The responsibility for following up lies with the Chief, Programme Support Services.

448. **In paragraph 31, the Board recommended that the new UNDCP accounting system capture field office expenditures at least on a more timely basis, in order to improve overall monitoring of project expenditures.**

449. The new integrated financial and project management system was rolled out in March 2001. Training of staff at headquarters is currently taking place, while that for staff in the field offices is scheduled for April. The system constitutes the single repository for all the financial information of the United Nations Office for Drug Control and Crime Prevention. The new system will use data from IMIS, as well as from executing agencies and UNDCP field offices via a Web interface. This will ensure that the integrated general ledger will contain timely, complete, relevant and transparent information.

450. A secure Web interface will enable a restricted audience of donor and recipient Governments to follow implementation on individual projects. A demonstration of the prototype is being made available to delegates at the forty-fourth session of the Commission on Narcotic Drugs. Permanent missions have been able to monitor the implementation of this project online from a secure web site.

451. The responsibility for the implementation of the recommendation lies with the Director, Division for Operations and Analysis and the Chief, Programme Support Services.

452. **In paragraph 33, the Board recommended that UNDCP ensure that all obsolete or untraceable items are presented promptly to the local Property Survey Board for write-off action.**

453. UNDCP maintains a database of equipment held in field offices. The information contained in said database is updated annually with inputs from the field offices. The General Support Section of the Division of Administration and Common Services, at the United Nations Office at Vienna is responsible for maintaining an inventory of property held at UNDCP headquarters. Closer coordination will be exercised to ensure that timely reviews are made and a summary of obsolete or untraceable items is submitted to the local Property Survey Board for write-off action.

454. The responsibility for implementing this lies with the Chief, Programme Support Services.

L. United Nations Office for Project Services

455. The measures taken by UNOPS to implement the recommendations of the United Nations Board of Auditors contained in its report to the General Assembly on the accounts of UNOPS for the biennium ending 31 December 1999[16] are set out below.

456. **In paragraph 10 (a), the Board recommended that UNOPS prepare a full inventory of its non-expendable equipment, both at headquarters and at its regional offices, with a view to providing an historic cost for its non-expendable equipment in the financial statements for biennium 2000-2001.**

457. The recommendation is being implemented. The United Nations Office for Project Services is in the process of preparing a full inventory of its non-expendable equipment in all its offices, in compliance with United Nations accounting standards. This inventory, the completion of which is targeted for 30 August 2001, will continue to be updated to meet appropriate management and reporting requirements. Thus far, work is progressing according to schedule.

458. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration.

459. **In paragraph 10 (b), the Board recommended that UNOPS conduct regular reviews, led by its Finance Section, of all unliquidated obligations and cancel those which cannot be substantiated or justified by budget managers.**

460. Financial monitoring is conducted regularly and on a continuing basis by the relevant staff of the Office. Monthly expenditure reports are provided by the Finance and Budget Section to portfolio managers to facilitate the monthly review exercise. Adjustments, including amendments to unliquidated obligations, are made, as may be appropriate. Given its nature, this recommendation is being implemented on a continuing basis, rather than being subject to specific start and end dates.

461. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration.

462. **In paragraph 10 (c), the Board recommended that UNOPS establish the relationship between the priorities, objectives, activities and tasks included in the business plan and apply this consistently from year to year, providing a full explanation of any changes it makes.**

463. This recommendation has been implemented. The UNOPS business plans for the biennium 2000-2001, produced in the same format as previous years, demonstrate that the consistency in the relationship between priorities, objectives, activities and tasks has been applied. In the future, any changes in the organization's priorities will be fully explained in the business plan. The business plan templates for each unit first developed for the period 1999-2000 have been reviewed and simplified. Web-based access by staff will be available in May 2001 for the business planning process for the period 2001-2002. This online facility should ensure timely completion and standardization of unit business plans throughout the organization.

464. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

465. **In paragraph 10 (d), the Board recommended that UNOPS seek to ensure that all project documents contain measurable objectives.**

466. While the specificity of project objectives is the responsibility of UNOPS client and funding organizations (and not that of UNOPS), the Office intends to continue its review of the Project Acceptance Committee process, in order that projects meet the required quality standards for execution, which include ensuring, to the extent possible, that project documents contain measurable objectives.

467. The responsibility for implementing this recommendation rests with the Deputy Executive Director, Director of Operations.

468. **In paragraph 10 (e), the Board recommended that UNOPS seek to ensure that all project documents contain information on the overall project budget broken down by objective and sub-objective, as appropriate.**

469. The Project Acceptance Committee continues to analyse the reasonableness of proposed budgets in relation to project objectives and sub-objectives. In addition, through periodic budget revisions, UNOPS portfolio managers consistently seek to ensure that project budgets accurately reflect project expenditures and projections broken down by objective and sub-objective.

470. In line with the Board's recommendations, UNOPS will, on an ongoing basis, review the feasibility of more proactively assisting clients to improve their project documents.

471. The responsibility for implementing this recommendation rests with the Deputy Executive Director, Director of Operations.

472. **In paragraph 33, the Board recommended that UNOPS review, on a monthly basis, the returns from imprest account holders and take immediate action to hasten any missing returns. The Board also recommended that UNOPS promptly reconcile all the returns from imprest account holders so as to ensure that it effectively monitors expenditure disbursed in the field.**

473. The staff concerned were requested to exercise due diligence in carrying out timely examination and reconciliation of the accounts and in the follow-up of late submissions. Follow-up action was taken with respect to the imprest holders to ensure effective monitoring of expenditure disbursed in the field. Because of its nature, this recommendation is being implemented on a continuing basis rather than being subject to specific start and end dates.

474. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration.

475. **In paragraph 40, the Board recommended that UNOPS provide an explanation for any targets that it discontinues or amends in order to provide continuity to the business planning process.**

476. This recommendation has been implemented. UNOPS has reviewed its financial and non-financial targets and no changes were made to the targets in the business plan for 2000-2001.

477. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

478. **In paragraph 45, the Board recommended that, where appropriate, UNOPS disclose performance information in its business plan.**

479. The recommendation has been implemented. UNOPS undertakes a bottom-up planning process, which is synchronized with the budget preparation. There is a close relationship between short-term objectives and overarching organizational priorities. The former will be reviewed more frequently than the latter to ensure that progress is made towards meeting organizational priorities. Performance indicators for high-level performance results have been reviewed and UNOPS will continue to report high-level performance results in the business plan for 2000-2001.

480. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

481. **In paragraph 56, the Board recommended that, before signing project documents or management service agreements, UNOPS ensure that the donor includes details of the project's proposed monitoring regime.**

482. UNOPS regularly advises clients to define the details of the monitoring regime to be applied to an individual project prior to signature of the respective project document. As the Board has noted, this is the usual case and is normally contained in the reporting section of the project document, which should also indicate any deviation from the standard set of reports and review meetings. The level of detail and accuracy provided in this reporting section is a key instrument for the client to measure the achievement of project objectives.

483. UNOPS has fully implemented the recommendation. A directive has been issued to ensure that portfolio managers advise clients to include adequate detailed descriptions of the project-monitoring regime. The UNOPS implementation analysis note submitted by portfolio managers to the Project Acceptance Committee, a review body that decides whether the Office should accept a project service requested by a funding agency, includes a section regarding project-monitoring arrangements.

484. The responsibility for implementing this recommendation rests with the Deputy Executive Director, Director of Operations.

485. **In paragraph 57, the Board recommended that UNOPS endeavour to ensure that each project document and management service agreement outlines the risks to the project's delivery.**

486. The Office concurs that the risks related to effective delivery of a project should be carefully considered by the funding agency during the project formulation. In addition, UNOPS will continue to assess implementation related to policy, legal issues, finance etc., during the Project Acceptance Committee process.

487. For the above reason, UNOPS has implemented the recommendation. A directive has been issued to ensure that portfolio managers continue to provide an assessment of the implementation-related risks that arise from policy, legal and financial issues. These are recorded in section 11, part 3, of the implementation analysis note prior to approval and signing of the project.

488. The responsibility for implementing this recommendation rests with the Deputy Executive Director, Director of Operations.

489. **In paragraph 62, the Board recommended that UNOPS endeavour to strengthen the range of performance indicators included in project documents so as to allow progress against objectives and sub-objectives to be quantified and reviewed as fully as possible.**

490. Substantive review of progress in project implementation is currently conducted through regular reporting, monitoring missions and the project performance evaluation reports and tripartite review process. UNOPS believes that the strengthening of this review process is the appropriate way to develop the monitoring of project implementation progress.

491. In order to fully implement this recommendation, UNOPS has issued a directive stressing the importance for portfolio managers to request clients to include an adequate range of appropriate performance indicators in the project document to permit appropriate assessment of progress achieved.

492. The responsibility for implementing this recommendation rests with the Deputy Executive Director, Director of Operations.

493. **In paragraph 65, the Board recommended that UNOPS work with funding organizations to**

undertake periodic project performance evaluation reports and tripartite reviews for all projects.

494. The Office continues to stress the need for regular project performance evaluation reports and tripartite reviews, so as to document the progress being made by projects. Based on experiences to date, UNOPS notes that, irrespective of how persistently its portfolio managers pursue the matter, the result will not be positive unless the funding agencies concerned also share the need for such regular review. Notwithstanding the above, in order to implement the recommendation, UNOPS has issued a directive requesting portfolio managers to participate consistently in project performance evaluation reports and tripartite review exercises pertaining to major projects for which UNOPS is the executing agency.

495. The Director of Operations will advise the operations divisions to consistently participate in project performance evaluation and tripartite review exercises for major projects for which UNOPS is the executing agency.

496. The responsibility for implementing this recommendation rests with the Deputy Executive Director, Director of Operations.

497. **In paragraph 85, the Board recommended that, in future, UNOPS seek to avoid the proportional remuneration of lead contractors as a contract mechanism and seek to include penalty clauses for late delivery.**

498. Best practices routinely employed by UNOPS avoid the proportional remuneration of lead contractors as a contract mechanism and include penalty clauses for late delivery. These principles are promoted in procurement training for UNOPS staff. They are also incorporated in standard contract and purchase documents. The appropriate application of these principles and any exceptions to them is under the purview of the Chief Procurement Officer.

499. The case that has given rise to the Auditors' recommendation is the relocation of the UNOPS headquarters. In the tight New York construction market of 1999, and following review of the advice of local real estate and construction professionals, it was determined by the Chief Procurement Officer (on the basis of review by the Procurement Review Advisory Committee), that it was not possible to apply standard UNOPS best practices in this regard.

500. As this recommendation derives from an exceptional case which has no impact on fully implemented standard UNOPS procurement practices, the recommendation requires no further implementation.

M. International Criminal Tribunal for Rwanda

501. The actions taken or to be taken by the Tribunal to implement the recommendation of the Board of Auditors in its report for the biennium ended 31 December 1999[17] are set out below.

502. **In paragraph 11 (a), the Board recommended that the Tribunal, as well as the Administration, take action to ensure the timely submission of financial reports and the consolidated accounts.**

503. Implementation of this recommendation is ongoing. However, the factors which have caused considerable delays in the submission of monthly accounts to Headquarters, such as frequent power outages, shortage of staff, computer system failures, combined with the fact that the staff members of the section are exercising their right in regard to their leave entitlement, still persist. In addition, the lack of training officers for the Windows NT Version 4.2 Sun System has contributed further to the delay in the timely submission of accounts. Nevertheless, the Tribunal will exert all efforts to adhere to mid-month deadlines for reporting field accounts to Headquarters.

504. **In paragraph 11 (b), the Board recommended that the Tribunal ensure full compliance with established procedures, which do not permit the use of miscellaneous obligating documents to reserve credits for travel and the purchase of goods and services.**

505. The Tribunal concurs with the audit recommendation to adhere to established procedures governing the use of miscellaneous obligating documents and to seek the Controller's prior approval should the need arise in the future to reserve credits against miscellaneous obligating documents. However, practical experience has shown that, with a yearly budget cycle, the time that it takes to identify suppliers, go through the bidding process and finally cut purchase orders, will still require the withholding of reserve credits through miscellaneous obligating documents to some extent.

506. **In paragraph 11 (c), the Board recommended that the Tribunal, as well as the Administration, establish an authorized imprest level for the Office of the Prosecutor and that additional advances not be made unless previous advances have been accounted for.**

507. The disbursement report of the Special Operation Fund has been received and all outstanding advances have now been cleared and the Imprest Fund level brought to its original approved level of $30,000.

508. **In paragraph 11 (d), the Board recommended that the Tribunal, as well as the Administration, keep relevant registration information on vendors and regularly carry out the required periodic evaluation of the performance of suppliers (para. 35 (a)).**

509. The local vendor registration programme is an ongoing exercise and is being attended to. The introduction letters received from various vendors have been sorted and grouped by country in preparation of the registration packages (cover letter, supplier registration form, commodity list/codes and general conditions of contract). Full implementation is expected to be completed soon.

510. The Chief Programme Officer is responsible for the implementation of this recommendation.

511. **In paragraph 11 (e), the Board recommended that the Tribunal and the Administration enforce the terms of the contract for travel agent services and take steps to recover all amounts due from the travel agent.**

512. The audit recommendation has been fully implemented as per the provision of the travel agent services agreement.

513. **In paragraph 19, the Board recommended that the Finance and Budget Sections of the International Criminal Tribunal for Rwanda carry out monthly reconciliation of expenditures statements to facilitate accurate financial reporting.**

514. It is confirmed that the Tribunal has now updated its reconciliation of expenditure statements with headquarters figures, as at 31 May 2000.

515. **In paragraph 32, the Board recommended that the Administration disclose in the notes to the financial statements the value of non-expendable property pending write-off decisions.**

516. The Tribunal has been complying with the recommendation.

517. **In paragraph 39, the Board recommended that the Tribunal and the Administration take action to recover the appropriate cleaning and other costs totalling $133,424.08, from the lessor and request a revision in the rent payable.**

518. There have been some negotiations with the management of the International Conference Centre in response to the Tribunal's request to reinstate the cleaning services. The management of the Arusha International Conference Centre has advised that the cleaning services being provided to tenant occupied areas are confined to the corridors, toilettes and common public areas. In the circumstances the administration of the Tribunal is still seeking clarification to article 14.1 (d), particularly in the light of what is known of the cleaning services being provided to other tenants.

N. International Tribunal for the Former Yugoslavia

519. The actions taken or to be taken by the Tribunal to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999[18] are set out below.

520. **In paragraph 10 (a), the Board recommended that the Tribunal disclose the liabilities for end-of-service benefits, post-retirement benefits and annual leave in its financial statements in compliance with United Nations accounting standards.**

521. Until the decision of the General Assembly to publish separate financial statements for the Tribunal, the Tribunal's accounts were incorporated into the United Nations (volume I, Secretariat) accounts and the items in question were calculated by and included in the Secretariat accounts. The General Assembly decision to divest the Tribunal's accounts from the United Nations (volume I, Secretariat) accounts into a separate volume was only communicated to the Tribunal on 26 January 2000. In view of the late date of this decision, the Tribunal was not in a position to furnish the additional information in time. As the Tribunal is now aware of the new reporting requirements, it will provide all of the required

information in compliance with the United Nations accounting standards.

522. The responsibility for overseeing the implementation of this recommendation lies with the Chief Administrative Officer.

523. **In paragraph 10 (b), the Board recommended that the Tribunal review its procedures for planning the use of courtrooms to ensure effective use of the available facilities.**

524. As previously stated in the last status report (A/55/380/Add.1), the courtroom usage is a complex and challenging issue which the Tribunal has faced from its outset, owing to various factors, such as witness appearances, requests by the parties and, ultimately, the lack of available judges. However, remaining seized of the problem, the Tribunal has made continuous efforts to maximize its use of the courtrooms.

525. This having been said, the provision of additional judges for the Chambers and the Appeals Chamber in the 2001 budget, combined with the creation of a pool of ad litem judges to sit on a case-by-case basis, with estimated arrival in summer 2001, will considerably increase courtroom usage. With court sessions tentatively scheduled from 9 a.m. to 7 p.m., it is envisaged that courtroom usage will be optimal.

526. The responsibility for overseeing the implementation of this recommendation lies with the Deputy Registrar.

527. **In paragraph (c), the Board recommended that the Tribunal review its legal aid system with the aim of establishing tighter controls and limits over defence costs.**

528. Effective 1 January 2001, the Registry of the Tribunal has substantially amended both the Directive on Assignment of Counsel, the basic foundation of the legal aid system and its remuneration practice for assigned defence staff. The practice now contains fixed total limits for the defence preparation of cases of three levels of difficulty, allocating less funds to less complex cases, as well as maintaining detailed auditing of defence costs as recommended by the Board.

529. The responsibility for overseeing the implementation of this recommendation lies with the Deputy Registrar.

Notes

[1] The present report is to be read in conjunction with the first report on the implementation of the recommendations of the Board of Auditors on the United Nations funds and programmes for the biennium ended 31 December 1999 (A/55/380/Add.1).

[2] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. III, chap. II.

[3] Ibid., annex, paras. 10-12.

[4] Ibid., *Fifty-third Session, Supplement No. 5* (A/53/5), vol. III, chap. I.

[5] Ibid., *Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. IV, chap. II.

[6] Ibid., *Supplement No. 5A* (A/55/5/Add.1), chap. II.

[7] Ibid., *Supplement No. 5B* (A/55/5/Add.2), chap. II.

[8] Ibid., *Supplement No. 5C* (A/55/5/Add.3), chap. II.

[9] Ibid., *Supplement No. 5D* (A/55/5/Add.4), chap. II.

[10] Ibid., *Supplement No. 5E* (A/55/5/Add.5), chap. II.

[11] Ibid., *Supplement No. 5F* (A/55/5/Add.6), chap. II.

[12] Ibid., *Supplement No. 5G* (A/55/5/Add.7), chap. II.

[13] Ibid., *Fifty-third Session, Supplement No. 5G* (A/53/5/Add.7), chap. II, para. 9 (a).

[14] Ibid., *Fifty-fifth Session, Supplement No. 5H* (A/55/5/Add.8), chap. II.

[15] Ibid., *Supplement No. 5I* (A/55/5/Add 9), chap. II.

[16] Ibid., *Supplement No. 5J* (A/55/5/Add.10), chap. I.

[17] Ibid., *Supplement No. 5K* (A/55/5/Add.11), chap. II.

[18] Ibid., *Supplement No. 5L* (A/55/5/Add.12), chap. II.